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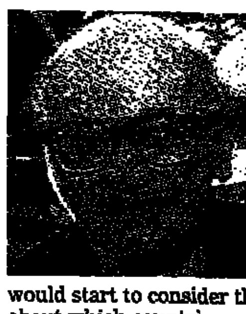
World Business Newspaper THURSDAY NOVEMBER 30 1995 D8523A

OECD warns Fed on further cuts in US interest rates

The US Federal Reserve should not cut interest rates further because the economy is rebounding after weakness earlier this year, the Organisation for Economic Co-operation and Development said. *The Paris-based body said the US* economy was likely to grow by 2.5 per cent next year, with low inflation and near full employment, and warned the Fed to remain vigilant against the risk of higher inflation. Page 18; **OECD says US achieved 'soft landing', Page 6**

Top banker warns of currency turbulence



Alexandre Lamfalussy (left), president of the European Monetary Institute, warned currency turbulence could hit the European markets between now and 1998, when a decision is taken on which countries will become members of the planned economic and monetary union. He said currency traders would start to consider the date of the decision about which countries would become Emu members, and at what level exchange rates would be irreversibly locked. Page 18; **Pact with Emu 'outsiders' canvassed, Page 2**

Moscow told to delay sell-offs: Opposition to Russia's privatisation programme has intensified, with a threat by a group of influential bankers to pull out of government securities unless it is delayed. Page 2

Berlusconi declines questioning: The former Italian prime minister Silvio Berlusconi snubbed anti-corruption magistrates in Milan by refusing to be questioned about alleged illicit funding of the now defunct Socialist party. Page 2

Price fall fuels Pechiney worries: A fall in the price of Pechiney's investment certificates and reports of weak investor demand fuelled concerns about the privatisation of the French aluminium and packaging group. Page 19; Lex, Page 18

Krupp Hoesch to pay $488m for Uhde: Krupp Hoesch, the German steel and engineering group, has outbid two leading competitors to buy Uhde, one of the world's leading constructors of chemical plants and a subsidiary of the Hoechst chemicals group. Industry sources said Krupp Hoesch would pay about DM700m ($488m). Page 20

Nato plans Bosnia advance guard: Nato ambassadors are today expected to give the go-ahead for the deployment of 2,600 US, British and French soldiers to clear airfields, improve communications and set up headquarters for the Nato command in Bosnia. Page 2

England football coach facing legal action: Terry Venables, coach of the England football team, has been told by the UK Department of Trade and Industry that it is to start proceedings to disqualify him as a director. It means he may face court action in the run up to and possibly during next summer's European Championships in England. Page 13

Italians consider Russian telecom stake: An Italian telephone group is the most likely strategic investor to win control of a 25 per cent stake in a Russian telephone company. Page 2

Nedlloyd tumbles in third period: The Dutch transport group Nedlloyd reported a sharp drop in third-quarter net profits. Page 20

Top Tokyo panel urges deregulation: Japan must carry out painful economic deregulation or submit to even more traumatic below-average economic growth for at least the next five years, a top government panel has warned. Page 10

Chinese old-guard attacks Deng's policies: Old-guard Communist party ideologues have launched a stinging attack on the policies of Deng Xiaoping, China's supreme leader. Page 18; AsiaSat buoys China's rocket plans, Page 8; Limits stay on foreign banks, Page 10

Ro-ro ferry safety standards agreed: The International Maritime Organisation agreed a set of higher safety standards for roll-on/roll-off ferries and decided to allow member states to impose even higher standards if they wished. Page 4

Record for Bank of Nova Scotia: Bank of Nova Scotia has reported record annual earnings. Page 21

Brittan warns Seoul on imports: Sir Leon Brittan, the EU vice president, urged South Korea to remove restrictions on car imports and to end indirect subsidies for its shipbuilders. Page 8

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,078.82	(+0.72)
NASDAQ Composite	1,052.19	(+2.14)
Europe and Far East		
CAC40	1,857.33	(-13.01)
DAX	2,245.82	(+4.11)
FT-SE 100	3,665.5	(+6.7)
Nikkei	18,533.98	(-154.44)

■ US LUNCHTIME RATES

Federal Funds	5 11/16%
3-mth Treas Bills: Yld	5.493%
Long Bond	108 3/4
Yield	6.22%

■ OTHER RATES

UK: 3-mo Interbank	6 1/2%	(6 7/16%)
UK: 10 yr Gilt	106 5/16	(106 1/32)
France: 10 yr OAT	105.64	(106.13)
Germany: 10 yr Bund	101.94	(101.95)
Japan: 10 yr JGB	114.104	(113.783)

■ NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.17	(17.085)

■ GOLD

New York: Comex		
(Feb)	$389.2	(388.9)
London:		
close	$389.65	(388.1)

■ DOLLAR

New York: lunchtime		
£	1.536	
DM	1.4354	
FFr	4.9325	
SFr	1.1635	
Y	101.6	
London:		
£	1.534	(1.5464)
DM	1.4368	(1.4338)
FFr	4.9355	(4.918)
SFr	1.1637	(1.1582)
Y	101.56	(101.285)

■ STERLING

DM	2.2099	(2.2172)
Tokyo $ close:	Y 101.25	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDH15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lev110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.50	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Juppé stands firm on austerity reforms

Pressure grows on French PM as strikes spread

By David Buchan in Paris

Mr Alain Juppé, the French prime minister, yesterday pledged to pursue austerity reforms in the face of mounting chaos in the country's public services, as postal and energy workers *today* join rail workers in protest strikes.

In spite of government assurances that welfare reform would not affect special pension arrangements, rail workers decided to carry their nationwide strike into a seventh day in protest at productivity measures contained in the plan to bail the SNCF rail network out of its FFr175bn ($35.6bn) debt.

The spreading strike movement is spearheaded by rail workers who have persuaded some postal workers to join them. It has been augmented by a dispute over energy deregulation that may cause power cuts today, presenting French leaders with a serious challenge.

But a defiant Mr Juppé, who is under increasing political pressure, insisted yesterday: "The hour of true reforms has struck for France. Putting them off, as we have for 15 years, would mean accepting a [national] decline."

At the heart of these reforms is Mr Juppé's plan to wipe out the country's FFr60bn-a-year social security deficit by increasing charges and cutting welfare spending and waste. The plan has sparked two public sector strikes in the past week.

President Jacques Chirac told a cabinet meeting yesterday: "The reforms will take place and the government must stick to the agreed timetable." The cabinet approved a draft bill allowing Mr Juppé to impose new welfare charges and other measures by decree, which must be ratified by a parliament in which the government has a strong majority.

The growth in social strife is taking place against the background of weakening growth in the economy. The Insee statistics agency yesterday estimated that the economy expanded by 0.2 per cent in the third quarter, but also downgraded its earlier estimate of 0.4 per cent in the second quarter to 0.2 per cent.

The prospect of zero growth in the final quarter, already suggested by an October fall in consumption, will be reinforced by the strikes. The Peugeot car company yesterday announced a one-day lay-off for 7,000 workers at its Mulhouse plant in eastern France, which ships 70 per cent of its cars by rail.

Mr Jean Bergougnoux, the SNCF president, yesterday estimated that the strike was costing the operator FFr100m a day.

The government has reassured rail workers that they will be

Continued on Page 18

Strike could derail reform ambitions, Page 3
Editorial Comment, Page 17

US president eases fears on strength of Anglo-American relationship

Clinton in backing for new Ulster peace moves

Seeing eye to eye: Bill Clinton, left, and John Major face the media outside the UK prime minister's Downing Street residence yesterday Picture: Ashley Ashwood

By John Kampfner and Jurek Martin in London

President Bill Clinton flies to Belfast today for the first visit to Northern Ireland by a serving US president after endorsing the deal struck by the British and Irish governments in pushing the peace process forward.

Mr Clinton used a day of political talks and pageantry in London in an effort to calm British misgivings about the strength of the Anglo-American relationship.

He was effusive in his praise for the role played by Mr John Major, the UK prime minister, in devising a new strategy that could see the start of all-party *negotiations on a constitutional* settlement for Northern Ireland within three months.

Officials expressed relief that the accord, announced late on Tuesday by Mr Major and his Irish counterpart, Mr John Bruton, was greeted with less strident opposition from Ulster's main parties than feared.

Mr Major told MPs he anticipated the two elements in the "twin track" strategy – preliminary talks between the governments and the parties, and an international body to look into decommissioning of arms – to be operational within days. Mr George Mitchell, a senior presidential adviser and a former senator, was formally confirmed as head of the body. He will be joined by General Lewis Mackenzie from Canada, the first commander of the UN peacekeeping force Unprofor, and Mr Esko Aho, a former Finnish prime minister.

After two hours of talks in Downing Street with Mr Major, Mr Clinton refused to express an opinion on whether the IRA should hand in some weapons before Sinn Féin is allowed in all-party talks. The British say the pre-condition is unchange*able and does not fall within the* remit of the international group.

In a warning that will greatly enhance the efforts of Mr Major and Mr Bruton, Mr Clinton said: "My message to the IRA is that the twin track process has provided a mechanism for all the parties honourably now to bring their concerns to the table and be heard."

The tone of Mr Clinton's visit and its itinerary have been designed to assure the British that the administration's professions of even-handedness are genuine. Addressing members of both houses of parliament in Westminster's Royal Gallery, Mr Clinton stressed both countries' common values, as exemplified by their approach to Bosnia.

*The deployment of US and Brit*ish troops to a UN peace enforcement force in the former Yugoslavia figured prominently in his discussions with Mr Major.

Mr Clinton and his wife Hillary also met Mr Tony Blair, the Labour leader, and were guests of the Queen at Buckingham Palace. The meeting with Mr Blair lasted an hour, twice as long as scheduled.

Among the events scheduled for Belfast and Londonderry today are talks with Mr David Trimble, the Ulster Unionist leader. Mr Gerry Adams, Sinn Féin president, will not be granted a similar one-on-one meeting. Mr Trimble and Mr Adams are expected to find themselves in the same room for the *first time during a reception at* Queen's University.

Mr Adams' reaction to the "twin track" agreement was muted. Sinn Féin, he said, would give a definitive response within a month. "It is not a document which Sinn Féin would have negotiated but it is one which presents some challenges for us and for other parties," he said.

It was Sinn Féin's refusal to co-operate that scuttled a planned Anglo-Irish summit in September as the peace process *appeared to be heading for a* breakdown. Mr Trimble described as "distasteful" the haste with which the agreement was made.

Sure touch of a statesman, Page 12; Editorial Comment, Page 17; Northern Ireland survey, separate section

Travelers to pay $4bn for rival insurer's property arm

By Richard Waters in New York

Germany's Dresdner Bank is negotiating to buy RCM Capital Management, a US asset management company owned by Travelers, for about $500m, in a move aimed at continuing its drive into international investment banking. RCM, based in San Francisco, has assets under management of about $27bn. Report, Page 19. Allianz in Australian deal, Page 20.

Travelers, the US financial services group which has been constructed through acquisition by Mr Sandy Weill, yesterday reached an agreement to pay $4bn for the property/casualty insurance business of Aetna.

Aetna, one of the largest US life companies, had earlier announced plans to sell the business to concentrate on its health insurance and financial services operations. Hit by environmental and hurricane losses, and facing little growth in premium rates, a number of US insurers have recently backed away from property/casualty insurance.

The deal announced yesterday "will be a wake-up call to others", Mr Weill said. "This is an industry in consolidation: *there are too many players with* returns that are too low." He predicted that, as with other industries undergoing consolidation in the US, such as defence, the companies which make the first purchases willbe the ones that get the best deals.

Mr Weill's group, formerly known as Primerica, bought the Travelers insurance business two years ago, while two smaller insurers – Continental and Home Holdings – have been sold over the past year.

Travelers said it would combine its own property/casualty operations with those of Aetna and sell shares in the new unit to the public next year. The new company would be the US property/casualty industry's fourth largest, with net premiums of $8.5bn and total revenue of $12bn.

The new company "could be *earning upwards of $1bn" in* three years' time, Mr Weill predicted. Travelers said it expected to cut at least $300m in costs over the next two years, in part by shedding 3,300 of the 12,000 jobs in the combined business.

Even after the merger, Travelers would still only account for little more than 3 per cent of the premiums paid to property/casualty insurers in the US each year. The US insurance business remains highly fragmented, due in part to a rigid regulatory structure and a large number of mutually owned companies.

The biggest takeovers so far have been mounted by outsiders such as Mr Weill, a former president of American Express. Other buyers have included GE Capital and CNA, a company controlled by Mr Lawrence Tisch, as well as a number of buy-out funds.

Before selling shares in the *new unit, Mr Weill said Travelers* would boost its reserves by "somewhat more" than $1bn. Aetna itself has already set aside $750m this year to cover expected environmental liabilities, and the new reserves would be to meet other classes of risk.

Lex, Page 18

Nomura fined $1m for stock exchange violations

By Maggie Urry in New York

Nomura Securities International, the New York branch of Japan's largest securities house, was yesterday censured and fined $1m by the New York Stock Exchange for failing to maintain minimum net capital requirements and other breaches of membership rules.

Nomura said it did not admit or deny guilt, but would pay the fine to "avoid costly and prolonged litigation" over an "honest difference of opinion" regarding "technical violations". The breaches arose from dealings in Mexican government bonds between 1990 and February 1993 when the exchange told Nomura to stop. No clients' money was involved.

The fine is the third largest ever imposed by the NYSE, suggesting the seriousness with which the exchange views the lapses of control.

The case comes after recent revelations at Daiwa Bank's New York branch, where trading losses of $1.1bn have resulted in criminal charges against the bank and some of its staff.

There is no suggestion of fraud in this case, but the episode is likely to raise further questions over the conduct of Japanese institutions in the US. Mr Ike Sorkin, chief legal officer at Nomura in New York said: "This is not, repeat not, Daiwa Bank." He said the timing of the news was unfortunate.

The NYSE disciplinary panel found that NSI had "failed reasonably supervise and cont certain of its business ac ties". It also said its conduct been similar to behaviour w. resulted in disciplinary action against it in 1990.

The NYSE has also told NSI to appoint an outside director to its board to chair the audit committee and sit on the compliance committee for five years, and to *retain an outside consultant to* review procedures and deliver a report and recommendation to both NSI and the NYSE. The disciplinary action is subject to review by the Securities and Exchange Commission. The

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Nato plans Bosnia advance guard

By Caroline Southey in Brussels

The first Nato troops could arrive in Bosnia early next week to prepare for deployment of a 60,000-strong international peacekeeping force, the bulk of which is due to arrive in the former Yugoslavia by mid-January.

Nato ambassadors are today expected to give the go-ahead for deployment of a 2,600-strong "enabling" force of American, British and French soldiers to clear airfields, improve communications and set up headquarters for the Nato command.

Nato is pressing ahead with detailed preparations although a number of political hurdles have to be cleared before the peacekeeping force can be sent. These include the US Congress's approval of President Bill Clinton's plan to commit 20,000 US troops as well as the approval of the plan by a number of European parliaments, including the Netherlands, Italy and Germany.

The final go-head for G-day – or Go-day – is expected after a conference in Paris next month at which a formal peace accord will be signed. Diplomatic sources in Paris said yesterday the agreement would be signed on December 14. Nato officials said the UN would transfer authority for the military operation to Nato within 96 hours of the end of the conference.

The intention of General George Joulwan, Nato's chief allied commander, was to begin deployment of the 60,000 troops immediately after that date and to have most the troops in place within 30 days, Nato said. "The parties in the former Yugoslavia have been given 30 days to withdraw from areas they are not meant to be in. If they are still there after 30 days Nato will oblige them to leave," it said.

The Nato council is due to give preliminary approval of the detailed operational plan early next week, including the "robust" rules of engagement and "clear command structures". A decision is also expected early next week on which non-Nato countries will participate in the operation. Nato officials said Mr Joulwan had been mandated to discuss contributions from 12 countries.

Details of the plan for an enabling force emerged the day after Nato and Russia reached agreement on the terms under which 2,000 Russian troops would participate in the force. The deal allows for consultations between Nato's command, the North Atlantic Council and Russia.

But Nato officials made clear Russia would not be consulted on Nato decisions which did not involve Russian troops and that Moscow would have no power to block or delay Nato decisions.

Two other issues relating to Bosnia dominated yesterday's meeting of Nato defence ministers – disarmament of the warring factions in the former Yugoslavia and plans for the reconstruction.

Mr William Perry, defence secretary, said the US would help arm the Bosnian forces within six months if plans to reduce the imbalance of power between the former warring parties were not successful.

He said the US was committed to seeing the implementation of a disarmament programme agreed as part of the peace plan clinched in Dayton, Ohio. But, he warned, the US did not want to leave after 12 months with the imbalance still in place.

"The best way to reduce the imbalance is through building down. But if the arms control effort is not successful the US will take action to ensure the imbalance is corrected." He said this could involve "adding some equipment to the Bosnian forces".

Nato officials also stressed the importance of a successful outcome to the London conference on reconstruction. "Nato does not want to be left holding the baby," the Nato spokesman said. Nato's role was to "create the environment for a civilian operation" not to create one itself.

Offer to trade defence bill for Bosnia mission, Page 6

Prague to send troops

The Czech government yesterday approved the participation of Czech troops in the planned Nato-led peacekeeping mission in Bosnia, Reuter reports from Prague.

Prime Minister Vaclav Klaus said the Czech Republic would send "up to 1,000 men". Parliamentary ratification is required, but the government has a majority in the legislature.

Mr Klaus said the government agreed to release just under Kč1.25bn ($47m) to finance its participation. He said the government would seek approval from all three groupings in Bosnia for the Czech participation.

Jacques Santer speaking at a news conference yesterday

Larger EU at any price

By Lionel Barber in Brussels

Enlargement of the European Union eastwards will be costly but manageable, according to two European Commission reports agreed yesterday.

The reports embrace the principle of reforming the Common Agricultural Policy and the EU's aid to poorer regions. But they reject wholesale dismantling to accommodate membership for the former communist countries of central and eastern Europe and favour applying policies gradually.

The reports – to be presented to the EU summit in Madrid on December 15-16 – avoid cost estimates and reflect the political sensitivity of tackling reform of CAP and regional aid which account for 80 per cent of the annual Ecu80bn (£68bn) budget and enjoy the support of powerful vested interests.

Several commissioners expressed doubts at yesterday's meeting about the tentative approach to reform, with some reportedly arguing for a clearer timetable for accession negotiations. But Mr Jacques Santer, the Commission president, made clear he intends to play a long game. He believes it would be a disaster to open an argument about money while the Commission is struggling to keep alive hopes of serious institutional reform at next year's conference to review the Maastricht treaty.

At a news conference, he said it was vital to preserve "cohesion" between the richer and poorer countries. More work was needed to assess the effectiveness of so-called structural funds. Mrs Monika Wulf-Mathies, regional affairs commissioner, added: "Enlargement eastwards without political guarantees for the 'cohesion' countries [Greece, Ireland, Spain, Portugal] is not socially acceptable or politically feasible."

Regional aid to the eastern Europeans would also have to be measured according to the capacity of their economies to absorb financial assistance from Brussels.

Mr Franz Fischler, agriculture commissioner, portrayed the planned CAP changes as an extension of reforms begun in 1992 in preparation for the Gatt Uruguay trade round. These reforms broke the link between price support and production, and moved toward direct income payments.

Although Mr Santer avoided offering a timetable for enlargement negotiations, he revealed that the Commission would publish an opinion on countries' applications shortly after the conclusion of the IGC, widely tipped to end in mid-1997. EU governments would then to determine the launch-date of negotiations.

Six eastern countries have applied for membership: Hungary, Poland, Romania, Slovakia, Latvia and Estonia. Four more are likely to do so: the Czech Republic, Slovenia, Bulgaria and Lithuania. Malta and Cyprus have already won a pledge to open accession negotiations six months after the conclusion of the IGC.

Mr Santer criticised Mr Neil Kinnock, transport commissioner, for questioning the enlargement strategy and the launch date of monetary union in 1999. It was damaging to the policy and purpose of the Commission, he said.

Changes on farm, Page 17

Pact with Emu 'outsiders' canvassed

By Lionel Barber in Brussels and Peter Norman in Bonn

The idea of a "monetary pact" between members of the planned European economic and monetary union and those EU states outside it is being actively canvassed in European capitals.

Mr Theo Waigel, German finance minister, told a parliamentary hearing yesterday that next month's EU summit in Madrid could agree on the need for a new agreement between "insiders" and "outsiders."

In Brussels, the Commission published a paper calling for an exchange rate "arrangement" between the single currency and non-participants. However, it ducked the question of whether those outside a single currency area would have to join a strengthened exchange rate mechanism.

Discussions on a monetary pact would be likely to take place in parallel to the German-led debate on a "stability pact" designed to enforce budgetary discipline among countries taking part in monetary union, Commission officials said.

At the Bundestag hearing, Mr Alexandre Lamfalussy, president of the European Monetary Institute, said it was "absolutely essential" to find a consensus on how to handle the relationship between the Emu members and non-members. Failure could "poison" the European Union.

The issue is sensitive because countries which are not among the first group moving to monetary union fear they could be vulnerable to currency speculation and be condemned to second-class EU membership.

Another delicate question is whether the UK, which, along with Italy, left the ERM in September 1992, could be obliged to rejoin if Emu goes ahead on schedule on January 1, 1999.

Mr Lamfalussy said it was necessary to minimise changes in real exchange rates to preserve the good functioning of the EU's single market.

However, it was not an urgent problem and he would prefer that member states took time to produce a good solution.

Mr Hans Tietmeyer, president of the Bundesbank, said lessons should be learned from the history of the ERM, when parities had often been held unchanged for too long, leading to "eruptive events".

He said a way had to be found to ensure "real", rather than "nominal", stability between the single European currency and outside currencies.

Currency intervention was not a suitable method of stabilising exchange rate relations between insiders and outsiders because it could cement the wrong parities and undermine price stability.

Since the last serious upheaval in the ERM in August 1993, he said, member states had had some positive experiences with the broad fluctuation margins of plus/minus 15 per cent. There had been little intervention, and countries had been encouraged to focus on the correct policies for internal stability. Mr Lamfalussy said a particular difficulty was the heterogeneous nature of the likely outsiders. Some countries would want to be in Emu but would fail to fulfil the criteria, while some would meet the criteria but which would not want to join.

Differences would also arise among those wanting to join Emu, making it difficult to draw up a multilateral agreement. The Commission paper, however, leans toward the assumption that all countries would "normally" be expected to take part in the ERM, "whatever its form".

Mr Tietmeyer said the issue of insiders and outsiders was being discussed among European central banks and with the EMI.

Berlusconi declines to be questioned

By Robert Graham in Rome

Mr Silvio Berlusconi, the former Italian prime minister, yesterday snubbed anti-corruption magistrates in Milan by refusing to be questioned about alleged illicit funding of the now defunct Socialist party.

His refusal was contained in a memorandum released to the press 24 hours before he was due to appear before the magistrates.

Mr Berlusconi claimed that a highly politicised attempt was being made to undermine his political future. "To see me go up to the fourth floor of the justice building in Milan would be presenting my adversaries with a judicial celebration in advance of the political downfall they so dearly want."

The memorandum went on: "Having been guilty of being lucky enough to obtain a large popular vote, I must now 'confess' that I am the last descendant of the old political system – yet again without proof and against all evidence."

The tone of the memorandum indicated Mr Berlusconi realised his political career was at risk in this latest move by Milan magistrates to incriminate him. He is already due to stand trial in January on charges of being involved in bribes paid to the Guardia di Finanza, the financial police, to ease inspections of Fininvest accounts.

Last night, the Milan public prosecutor's office was considering how to respond. But they are believed to have further moves planned against him.

The magistrates are anxious to interrogate Mr Berlusconi about offshore operations of his Fininvest empire transferring in 1991 a total of L15bn ($9.5m) to accounts controlled by nominees of Mr Bettino Craxi, the former Socialist leader now living in self-imposed exile in Tunisia.

The transfers were made, the magistrates allege, via a Channel Islands company linked to Fininvest. A third of the money was subsequently returned to this company.

Milan magistrates last week issued four arrest warrants related to this transaction, including Mr Craxi and one of his business associates, as well as a senior Fininvest manager.

Mr Berlusconi stated again in his memorandum yesterday that he personally knew nothing about the funds but said they were connected with the payment for film rights in favour of a Franco-Tunisian film producer. But the transfers used the same bank account and lawyers as those of Mr Craxi's nominees.

The eight-month-long inquiry by the Milan magistrates is understood to have widened to embrace other senior Fininvest executives.

Italy's prime minister Lamberto Dini (left) with Spanish counterpart Felipe González in Palermo yesterday. Mr Dini said he was confident Italy could ensure stable government during its six-month presidency of the EU when it succeeds Spain in January Reuter

Danish budget secured by deal

By Hilary Barnes in Copenhagen

Denmark's centre-left minority coalition government yesterday secured backing for its 1996 budget through a deal with the opposition Conservative party.

This left the Liberals, the other main non-Socialist opposition party, out in the cold after 16 years of close co-operation between the two opposition parties, including 10 years in government in the 1980s.

The agreement cuts the central government budget deficit by DKr4bn ($729m) to about DKr29bn – about 2.8 per cent of GDP – from an estimated DKr37.8bn in 1995 and the finance ministry's projection in October of DKr33.5bn for the 1996 deficit.

Mr Mogens Lykketoft, the minister of finance in the coalition dominated by the Social Democratic party, said: "The agreement has cleared the way for continued sound development of the Danish economy, rising employment, and perhaps a further nudge downwards in interest rates.

"It leaves us with a good chance of eliminating the general government budget deficit [central government plus local government] altogether by 1997," he declared

Market reaction was positive, but modest, with the spread between German and Danish benchmark government bond rates narrowing from 111 to 108 basis points.

The government and Conservatives agreed:

■ To cut defence spending by about Dkr600m compared with the government's original plans to cut it by about Dkr2bn.

■ To tighten up the eligibility rules for the country's generous unemployment benefit system, especially for the under-25 age group. The maximum period for which benefit can be drawn will be cut from seven to five years.

■ To reduce the 1 per cent wealth tax to 0.7 per cent in 1996 and abolish it in 1997.

■ To drop a planned increase from two to three weeks in the period for which the employers pay sickness compensation.

■ To sell off government assets worth Dkr2bn to strengthen budget revenue. The assets were not specified.

The Liberals have been running at around 30 per cent in recent opinion polls, up from 23.3 per cent at the September 1994 election, but the Conservative party's support has slipped from 15 to 13 per cent.

The Conservatives were keen to avoid the budget negotiations breaking down, which could have led to an early general election.

Italians set to pay $1bn for Russian telecom stake

By John Thornhill in Moscow

Stet, the Italian telephone group, last night emerged as the most likely strategic investor to win control of a 25 per cent stake in a Russian telephone company which has been set up to modernise the country's underdeveloped telecommunications sector.

The Russian government is confident that at least one foreign bidder will meet today's deadline and offer more than $1bn (£600m) to buy the 25 per cent stake in the Svyazinvest company and commit itself to upgrading the country's long-distance and international telephone network.

The state-controlled Italian company, which is itself due to be privatised next year, has been keen to expand in emerging telecommunications markets.

But it is likely to attach strict conditions to its bid and seek additional partners to finance its development plans in Russia.

The controlled auction process for the Svyazinvest stake is a high-risk strategy for the Russian government which could backfire embarrassingly if no acceptable bids are received today. But a successful sale of the Svyazinvest stake, which would be the biggest foreign investment in Russia outside the energy sector, would help restore some credibility to Russia's controversial privatisation programme.

The sale would also provide much-needed funds to help the government cover this year's budget deficit.

The bidder must offer at least $430m for the 25 per cent stake and guarantee it will invest $770m over the next two years to develop Svyazinvest's operations. The $430m of revenue is almost half of the $1bn the Russian government is hoping to raise from sell-offs before the end of the year. The other group which had expressed a preliminary interest in Svyazinvest was a consortium comprising Deutsche Telekom, France Télécom, and a company representing US West.

It is thought the consortium was unable to resolve all its outstanding concerns within the extremely short bid timetable available to make a formal offer. However, it could still submit an alternative proposal today.

The Russian Privatisation Centre (RPC), an advisory body which has been conducting the sale, has attempted to set new standards of openness and professionalism in selling the Svyazinvest shareholding. But its critics argue it has left many outstanding concerns unanswered.

Some of the world's biggest telephone companies, including AT&T, considered investing in Svyazinvest, but refrained from bidding because of the lack of financial information on the regional telephone companies and the uncertainties of the regulatory regime.

The RPC has been working to resolve these uncertainties over the past month by clarifying the corporate structure of Svyazinvest and the licence it holds. It has also established a novel compensation scheme offering the strategic investor more shares, up to a maximum of 7 per cent of the total, if it transpires that Svyazinvest's assets have been substantially misreported.

Svyazinvest was created this summer to encourage greater competition in the telecommunications sector, which is currently dominated by the semi-privatised Rostelekom. The government granted Svyazinvest majority voting rights in 85 regional telephone companies, which boast 26m customers, and a full licence to develop long-distance and international telephone lines.

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Moscow warned: delay sell-offs or else

Chrystia Freeland and **John Thornhill** report on a threat by bankers to dump treasury bills

Opposition to Russia's privatisation programme has intensified, with a threat by a group of influential bankers to dump their holdings of treasury bills unless ministers modify their privatisation programme and prevent alleged insiders from benefiting from the process.

The three banks concerned – Alfa-Bank, Inkombank and Rossiskyi Kredit – are big operators in the two-year-old government debt market, which is central to the Kremlin's plans to cover its budget deficit by non-inflationary means.

The cash-strapped government launched its privatisation programme, which aims to sell the state's stake in some of Russia's most valuable enterprises by the end of the year, with the aim of raising at least $1bn.

But critics, including political leaders and prominent businessmen, say the programme is transferring control of the country's most attractive companies to a small group of government insiders at a fraction of their market price.

Mr Mikhail Fridman, president of Alfa-Bank, said yesterday that he and the presidents of Inkombank and Rossiskyi Kredit had warned the chairman of the central bank that they might pull-out of government treasury bills, known as the GKO market, during a meeting this week.

But Mr Alfred Kokh, acting head of the state property committee which is supervising the privatisation programme, immediately reacted to the threat by saying: "It is not my job to support the GKO market. It is my job to support the equity market. Now it is our turn to feast."

'This is an open call for the redivision of property. It is connected with the elections'

The three banks publicly attacked the privatisation programme earlier this week, alleging that free competition was not being allowed. The bankers said they supported privatisation in principle but opposed the structure of some current deals.

Last week both houses of the Russian legislature called on Mr Boris Yeltsin, the Russian president, to suspend the privatisation scheme and many opposition politicians have strongly criticised it in their campaign for December parliamentary elections.

Supporters of the privatisation programme have hit back. "This is an open call for the redivision of property," said Mr Mikhail Khodarkovsky, president of Menatep, one of the banks which has successfully participated in the privatisation auctions and was criticised in this week's anti-privatisation statement. "It is connected with the upcoming elections," he said.

Mr Khodarkovsky warned that the critique of the current wave of privatisations could play into the hands of communist politicians, who are ahead in opinion polls for the December 17 ballot.

The communists have said that they will annul privatisation where it has been conducted illegally. Most businessmen and government officials admit that nearly all private property in Russia could – on some interpretations – be deemed illegal. "This statement gives the communists a card with which to turn things back," Mr Khodarkovsky said.

The dispute over privatisation has also created an unprecedented rift within the Russian banking community, which has traditionally resolved disagreements in private and presented a united face to the outside world.

Mr Khodarkovsky said he viewed this week's attack by the three other banks as "a declaration of war".

He has started a court action against the three rival bankers for libel and claims to have the backing of Oneximbank, the other commercial bank which has successfully participated in the disputed autumnal round of privatisation.

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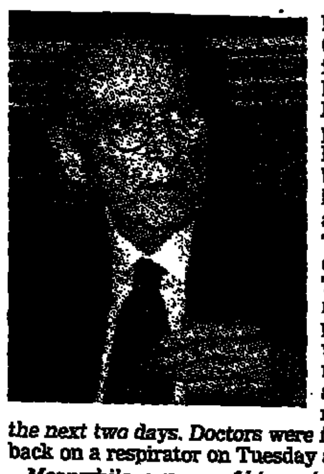
NEWS: EUROPE

EUROPEAN NEWS DIGEST

Greek premier fights for life



Mr Andreas Papandreou, Greek prime minister, was fighting for his life on a life-support machine in hospital yesterday. "The premier is not breathing on his own. He breathes entirely because of the machine," a hospital spokesman said, adding that Mr Papandreou, 76, was undergoing sporadic dialysis to aid his kidneys. The Greek leader, who was rushed to hospital with pneumonia nine days ago, was responding to medication, he said, and an attempt to take him off the respirator would be made in the next two days. Doctors were forced to put Mr Papandreou back on a respirator on Tuesday after a relapse.

Meanwhile, a group of his senior ministers have met to discuss the 1996 state budget, to be submitted to parliament today. The meeting was chaired by Mr Akis Tsohatzopoulos, the interior minister, who deputises for Mr Papandreou and is considered a possible successor. A group of senior members of the governing Panhellenic Socialist Movement, which Mr Papandreou founded in 1974, had questioned the prime minister's ability to govern even before his illness. There is now more widespread doubt he will be able to serve out his four-year term, even if he recovers. The next general election must be held by November 1997. *Reuter, Athens*

Belarus leader's poll threat

President Aleksander Lukashenko of Belarus spoiled his ballot in yesterday's parliamentary elections and vowed to rule by decree if a low turnout means the elections are rendered invalid. Mr Lukashenko had refused to lift a requirement that deputies need 50 per cent of the vote to be elected. In May two rounds of elections only elected 119 deputies, not enough to make a two-thirds quorum in the 260-seat chamber.

Mr Lukashenko – who this year closed opposition newspapers and allowed parties only limited access to television and radio – has openly voiced his contempt for the parliament. Unless 55 candidates are elected to make a quorum, he will have no check on his authority.

"There will be no more [elections]," Mr Lukashenko said yesterday. "I can tell you there will be no power vacuum. We'll have presidential rule. . . . Direct rule is what we have in Belarus anyway." Results are expected today. The run-off between the leading candidates in each constituency is to be held in two weeks. *Matthew Kaminski, Kiev*

Strike grounds Sabena

Belgian unions yesterday grounded the Sabena airline and announced a new rail strike for next week in protest at plans to cut jobs and freeze wages. With little warning, Sabena unions stopped work at 4am, bringing the airline to a halt.

Their action followed the suspension of a collective bargaining agreement by a management looking to peg salaries at current levels over the next three years, to increase work hours by 5 per cent, and to win more flexibility from its 9,500 workers.

Unions yesterday blockaded offices and parking lots to prevent strike breakers getting to work. "The right to work has been totally disregarded," Sabena said. Unions at the airline warned of still tougher action. "The time might well come when we will have to use all means," said Mr Michel Boels of the Christian Democratic Union.

Rail unions called a strike for next Wednesday after fruitless talks with management, which wants to shed almost a quarter of the 45,000 workforce. It is the latest in a series of labour actions sweeping Belgium and unions plan a full public sector strike on December 13 in opposition to austerity measures by the centre-left government of Mr Jean-Luc Dehaene.

The strikes in Belgium added to already disrupted travel across Europe. In France, a nation-wide transport stoppage entered its sixth day after a new round of talks failed between unions and the state-owned railways. In Spain, unions at the state-owned Iberia airline entered the second day of a 48-hour strike. *AP, Brussels*

Lafontaine in talks with PDS

Mr Oskar Lafontaine, leader of Germany's opposition Social Democrats (SPD), and Mr Gregor Gysi, parliamentary leader of the former communist Party of Democratic Socialism (PDS), met on Tuesday evening to discuss their parties' relationship.

As the Social Democrats' new leader, Mr Lafontaine is seeking a way to forge closer links with the PDS, in an attempt to form a loose leftwing alliance for the 1998 election campaign. But by doing so, he runs the risk of alienating the centre vote and playing into the hands of the governing conservatives.

Mr Lafontaine sought to establish how far the PDS had distanced itself from its communist past, what its attitudes were towards those who suffered under that regime, and where the party stood on social and economic issues. The discussions also included one of the most sensitive issues: the way in which the Communists forcibly merged the SPD in 1949, ensuring the destruction of its political base throughout eastern Germany. This partly explains why the SPD has failed to build a grassroots party in eastern Germany since reunification and why the PDS has been able to establish itself as a rival. *Judy Dempsey, Berlin*

Dutch fined over price fixing

The European Commission has fined FNK, the Dutch crane rental federation, Ecu11.5m ($15.2m) for illegal price fixing over more than 12 years. The investigation followed complaints from Dutch and Belgian companies in January 1992. According to Brussels, the FNK's 200 members represent two-thirds of Dutch companies active in crane rental.

A fine of Ecu300,000 has also been imposed on the Dutch authority which registers crane companies, mainly because of its illegal practice of forbidding the sub-letting of cranes. The Commission said it opposed any registering procedure that in practice had nothing to do with the quality of products, their distribution or production. *Emma Tucker, Brussels*

ECONOMIC WATCH

German wholesale prices fall

German wholesale prices fell 0.4 per cent in October compared with the same month last year, the first such fall in almost two years and further evidence that inflation is slowing. Analysts said consumer prices should be lower in November but warned that these improved figures were unlikely to influence the Bundesbank council which meets today to discuss interest rates.

Compared with September the figures were 1.4 per cent lower, helped by an "extraordinary" 12 per cent fall in the price of raw coffee and a 7.2 per cent decline in the price of fresh fruit. Smaller falls in the price of heating oil (down 3.8 per cent month-on-month) and petrol (down 2.1 per cent) were normal seasonal developments, analysts said. Wholesale prices last fell on a year-on-year basis in January 1994.

The October figures are the first time that the Federal Statistics Office has calculated wholesale prices for the whole of Germany using 1991 as the new base year. Previously, prices were calculated just for western Germany using 1985 as the base year. *Michael Lindemann, Bonn*

■ Ireland's seasonally adjusted trade surplus narrowed to I£547m (£558m) in June from I£658m in May, provisional figures show.

Strike could derail Juppé's reform ambitions

The French government appears to be heading at high speed for a test of strength, writes **John Ridding**

While many of France's sleek Trains à Grande Vitesse lie idle in depots across the country, Mr Alain Juppé's conservative government has moved at high speed towards a test of strength.

A strike by workers at the state-owned SNCF rail network has intensified over the past week and has emerged as a serious challenge to the Gaullist prime minister and his administration's reformist ambitions.

The stakes go beyond the railway lines. France's rail workers are at the front of a broad wave of protests against Mr Juppé's austere policies, testing his ability to push through vital economic and social reforms. Their action raises the question of whether the government has miscalculated in fighting on too many fronts.

If the government fails to resolve the rail dispute, which erupted over government plans to restructure SNCF and to overhaul the national welfare system, it risks fuelling broader opposition from public sector workers and students. But if it makes concessions to secure industrial peace, it could lose support in financial markets. This is needed for the Bank of France to cut interest rates, stimulate the flagging economy and enable the government to achieve the budgetary goals required for European monetary union.

It is a delicate balance, which Mr Juppé's administration is struggling to negotiate. Few would argue with the claim by Mr Bernard Pons, the transport minister, that reform at SNCF is urgent. "It is the most subsidised and loss-making company in France," he said earlier this month, pointing to total state financial support of FFr50bn (£6.5bn) a year and forecast losses of more than FFr11bn for 1995. But in tackling such an obvious target for a government pledging fiscal responsibility, the government has taken risks.

The first concerned the timing. Proposed rail reforms, including the transfer of responsibility for loss-making lines to regional authorities and productivity measures for the SNCF's 180,000 staff, inflamed restive rail unions just as Mr Juppé was unveiling plans to eliminate the country's FFr60bn annual welfare deficit.

At SNCF, where train drivers have the option of retirement at 50 – a legacy of the arduous days of steam engines – welfare provisions are as jealously guarded as the statutes which

French high-speed trains go nowhere very fast as the rail strike entered its sixth day yesterday *Reuter*

govern their working practices. Anger at the perceived assault on their *acquis sociaux* or acquired social rights combined with ire over the proposed rail reforms.

"Mr Juppé spent his first six months as prime minister under attack for not doing enough," says one political analyst. "Now he is taking everything on at once."

The government and the SNCF also appear to have misjudged the strength of worker sentiment. "There is a lot of sabre rattling. But we know how to deal with the unions," said one senior railway official, before the strike. Rivalry between rail unions, in particular between the communist-led CGT and the CFDT, along with the unpopularity of Mr Juppé's government, appear to have encouraged union leaders to test their strength.

The result has been widespread disruption on the rail network and sense of social malaise. "Without the railway strike things would have moved in our favour," says one MP from the centre-right majority. He points to the muted support from public sector employees for Tuesday's protests.

This message has not been lost on the government, which is seeking to defuse the rail strike. Presenting the financial plan for SNCF for the period 1996-2000 on Tuesday evening, Mr Pons pledged that workers' statutes will not be amended. Although from 1997 debt relief will be linked to improved profitability, the government will next year assume more than a fifth of SNCF's FFr175bn debt irrespective of the company's performance. "There are no conditions," Mr Pons told the National Assembly.

Such measures have prompted concern in the financial community. "This smacks of a bail-out," says one economist at a London-based merchant bank. "The risk is that a precedent is set in making concessions."

Trade unions do not see it like that, angrily rejecting the rail contract. "It is a hateful blackmail," blasted the CGT, referring to the link between debt relief and profitability. The CFDT condemned the measures as insufficient, comparing them with debt relief of FFr38bn in 1990, and warned of a hardening in the dispute.

Faced with this response, the government and SNCF are pursuing a double strategy of reassurance and firmness. "Of course the railwaymen will continue to have a specific retirement scheme," said Mr Jean Bourgougnoux, SNCF's president, in an attempt to ease employees' fears. Some unions, notably the FGAAC, warmed to the financial elements of the plan, raising hopes of progress with more moderate labour organisations.

But the government also pledged to stand its ground. "The hour for real reforms has tolled," said Mr Juppé. "We have presented our plan. There can be no going back," added one official. He dismissed parallels with the strike at Air France in 1993 when a previous government was forced to withdraw recovery measures, torpedoing its reformist credentials.

Another precedent, the 1986-87 rail strike, is similarly worrying. A repeat of the month-long stoppage would provide a focus for discontent and further weaken France's flagging economy. Mr Juppé's administration will have to show toughness, and skill in its dealings with the unions, if it is to resolve the dilemma on the railways.

Naval experts' recommendations are rejected

Higher ferry safety standards agreed

By Charles Batchelor, Transport Correspondent

The International Maritime Organisation yesterday agreed higher safety standards for roll-on/roll-off ferries, and decided to allow member states to impose even higher standards if they wished.

The IMO, a United Nations agency, decided ferries will have to be constructed so that they remain afloat even with 50 centimetres of water on their car decks.

But the organisation, following 10 days of debate, was unable to agree on tough but costly international design standards sought by naval architects and it is still unclear how many countries will join regional agreements such as one planned for northern Europe. Marine safety experts from a group of north European countries are to meet in Sweden next week to begin discussions on a regional accord.

The agreement also failed to match up to early expectations of rapid and decisive action following the sinking of the Swedish ferry Estonia in the Baltic in September last year with the loss of 900 lives. The IMO set up a special ferry safety panel to cut through the normally lengthy procedures involved in passing new rules.

The panel produced its recommendations last May, calling for measures such as internal car deck partitions or bulkheads and additional buoyancy features.

Mr William O'Neil, secretary general of IMO, said he was "not disappointed" at the progress made, although several countries said they hoped that the failure to reach an international agreement on ferry safety would not set a precedent for other issues to be considered by the organisation.

Lord Goschen, UK shipping minister, described the agreement as "a significant first step" in the development of higher ferry stability standards. "The IMO resolution paves the way for regional agreements on higher standards," he said.

The UK had been pressing for an international agreement or, failing that, a regional accord. But Europe-wide agreement on tougher standards was opposed by several Mediterranean countries on the grounds that weather conditions were less severe than in the North Sea and the Baltic.

However, the threat of a stand-off between France and the UK was averted when France agreed to the voluntary introduction of tougher safety standards.

The resolution calling for tougher ferry standards was proposed by Denmark, France, Italy, Norway, Spain, Sweden and the UK. It was not put to the vote but was approved "by consensus" and is expected to also win the support of countries such as Ireland, Finland, Belgium, the Netherlands and Germany.

The IMO also approved the application of current safety standards, known as the Safety of Life at Sea or Solas 90 convention, to all existing ferries. These rules initially were only applied to vessels built after 1990 although a group of 13 north European countries, led by the UK, decided in 1993 to apply them to existing ships.

Tutu to head South Africa's 'truth body'

By Roger Matthews in Johannesburg

Archbishop Desmond Tutu, Nobel peace prize winner and head of the Anglican Church in South Africa, was yesterday appointed chairman of the controversial Truth and Reconciliation Commission which will consider applications for amnesties relating to human rights abuses committed during the political struggle against apartheid.

Mr Jakes Gerwel, the cabinet secretary, said the appointment was "an important step in the historic process of coming to an understanding of the past, of reconciliation, and the reconstruction of this once deeply divided and conflict-ridden society".

President Nelson Mandela said in July, when the act setting up the commission was passed, that only by knowing the truth about the past could South Africans hope to heal "the terrible open wounds that are the legacy of apartheid".

Members of the National Party fear the commission will turn into a witch hunt against former ministers and members of the security forces.

More than 2,000 applications for amnesty are awaiting the Truth Commission when it begins work early next year. Archbishop Tutu, who regularly clashed with police during his vigorous campaign against apartheid, will oversee the work of three committees.

The first will investigate gross violations of human rights which include killing, abduction and torture. The second will consider applications for amnesty and the third will recommend appropriate reparation for victims.

The hearings will be in public, unless the commissioners decide this would not be in the interests of justice or might lead to violence against those giving evidence. Amnesties will be granted only if the commission is satisfied there has been a full disclosure of all facts and that no personal gain or malice was involved.

Demonstrators in Johannesburg yesterday were among many across South Africa observing a minute's silence for victims of violent crime. About 50 people a day are murdered there Reuter

Egyptians vote amid tough restrictions

By James Whittington in Cairo

Egyptians voted yesterday in the country's first parliamentary elections in eight years in which the main opposition parties are competing.

A record 3,980 candidates and 14 political parties vied for 444 seats in the parliament, which traditionally plays a minor role in the direction of government legislation but is one of the few institutions in which those who oppose the government can have their voices heard. Up to 21m Egyptians could vote but turnout is usually low.

In spite of the seemingly stiff competition, government officials remained confident of a landslide victory for the ruling National Democratic party, which hoped to retain its two-thirds majority in the house. Results are due today.

Nearly all opposition groups boycotted the last ballot in 1990, claiming that the election procedures were unfair. Since then many Egyptians have become disillusioned with the lack of political change during President Hosni Mubarak's 14 years in power.

Diplomats in Cairo jokingly refer to Mr Mubarak's "pharaonic tendencies". They say that having successfully turfed most of the Islamist militants out of the main cities and tourist sites, and having survived an Islamist assassination attempt in Ethiopia in the summer, he has become ever more concerned with consolidating his government's position rather than risking instability and further violence by pursuing further reforms.

As a result, the run-up to the poll was characterised by government pressure on its critics and opposition groups, a ban on public gatherings, and a new press law that imposes harsh penalties for criticising public figures.

Many candidates complained yesterday that their agents were prevented from entering polling booths to monitor the procedures and there were widespread allegations of electoral abuses.

The government's toughest action has been directed against the country's largest opposition group, the Moslem Brotherhood, which, like the militants, is seeking to turn Egypt into an Islamic state.

Although officially banned as a political entity in 1954, the Brotherhood has continued to be an important social and political force in the country.

Until recently Mr Mubarak had a tolerant attitude toward the movement's mainly charitable activities in an attempt to use its members as a moderating force against the Islamist militants. The movement is well organised and has notched up a string of successes in professional association and student elections.

But after a wave of hundreds of arrests, a military court last week sent 54 prominent members of the Brotherhood – many of whom had hoped to stand for parliament – to between three and five years in jail. It also closed the group's Cairo headquarters. Both measures seemed to have been specifically aimed at reducing its chances at yesterday's polls.

Diplomats say the move against the Brotherhood is an attempt to curb an increasing Islamic trend in Egypt.

High levels of unemployment, poverty and illiteracy have created an ideal breeding ground for the battle cry of "Islam is the Solution".

The Brotherhood stands accused of not only sharing the same aim but supporting the Islamist militants who have been trying to overthrow the government through violence.

To underline this, anyone running under the Islamic banner in yesterday's poll was given the symbol of a gun or sword by election organisers.

In previous parliamentary elections the Brotherhood got round its ban by running candidates under the wing of official parties, such as the Labour party in 1987.

This time, despite government harassment, it ran 160 candidates as independents, compared with 339 candidates run by the NDP and 150 standing for the other main opposition group, the Wafd party.

The majority of other candidates were independents, many of them members of the business community.

Meanwhile, Mr Mubarak has already ruled out any changes to his cabinet and government's policies.

"Any change after the parliamentary elections is not on the agenda... Too much change does not lend itself to stability," he said in a TV interview on the eve of the poll.

INTERNATIONAL NEWS DIGEST

Europe pressed on Mideast bank

The Clinton administration yesterday urged its European partners to join it in subscribing capital for a Middle East Development Bank which is intended to shore up the peace process by promoting cross-border projects.

Mr Lawrence Summers, deputy Treasury secretary, said the administration would ask Congress for about $260m (£167m) over five years, starting in fiscal 1997, to make up the US government's 21 per cent share of the bank's paid-in capital.

A quarter of the bank's total capital of $5bn must be paid up. At least 16 other countries have agreed in principle to contribute capital to the Cairo-based institution, but 25 per cent of the shares are reserved for countries such as Britain, Germany and France which have not so far offered support.

Mr Summers said countries aspiring to be players in Middle Eastern diplomacy should play their part in funding the bank, which aims to support infrastructural projects such as roads, telecommunications and irrigation. *Bruce Clark, Washington*

Algeria frees Islamic militants

The Algerian government has closed a desert prison camp in Ain Amguel and freed all the Islamic militant prisoners there, the Algerian news agency (APS) said yesterday. The interior ministry announced the closure just hours after suspected militants assassinated the first general to die in the four-year fight between them and the army-backed government.

It gave no figure for those released but human rights activists and lawyers said hundreds of militants were detained there. Some estimated there were about 700 prisoners. Ain Amguel was one of several camps the Algerian authorities opened in 1992 when the conflict started. *Reuter, Paris*

Cairo summit agrees on refugees

A two-day African summit on Rwanda ended in Cairo yesterday with the presidents of Rwanda, Burundi, Uganda, Zaire, and a Tanzanian envoy, agreeing to do all they could to encourage Rwandan refugees to return home.

At a press conference hosted by former US president Jimmy Carter, who initiated the summit, the five countries said there would be no forcible repatriation of refugees. Earlier, Zaire had set a tentative date of December 31 after which it would force its 800,000 refugees to go home. *James Whittington, Cairo*

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Offer to trade defence bill for Bosnia mission

By Bruce Clark in Washington

The Clinton administration has provisionally offered to let through a $243bn defence appropriations bill, which it had previously described as $7bn too high, in return for co-operation from Congress in funding the despatch of troops to Bosnia.

The idea was floated as the White House wrestled with the twin problems of reaching a compromise over the 1996 budget as a whole, and overcoming the legislature's objections to the Bosnia mission.

On the broader budget issue, White House and congressional officials will meet every day this week in hope of avoiding another crisis when the latest "continuing resolution" to keep the government functioning expires on December 15.

Under the proposed Bosnia compromise, Mr Clinton would hold back from vetoing the defence appropriations bill and postpone detailed arguments about how the money would be spent.

The compromise would be linked to an understanding that the administration could use some of the money to fund the Bosnia mission, the cost of which the White House estimates at $1.5bn, and divert up to $2bn for non-military domestic spending. The proposal is likely to be viewed with suspicion by those Republicans who believe the cost will be far higher than the administration is admitting.

Before its latest proposal, the White House had criticised Congress for insisting on higher defence spending when vital social programmes were being cut.

House Republican aides described the latest White House proposal as a substantial shift in Mr Clinton's position. "It has brought the defence appropriations bill back from the dead; we will probably get some programmes and projects we would not have had otherwise," said one.

Congress wants the extra military funding to pay for continuing production of the B-2 bomber, a ballistic missile defence system, a new amphibious assault ship, a new amphibious transport ship and six more fighter aircraft.

Dole: 'chances are 50-50'

Under the compromise, Congress would still secure up to $4bn more military spending than the White House originally wanted. The deal could spare Republican legislators the embarrassment of explicitly endorsing the Bosnia mission when many say they are being deluged with calls from voters who oppose the deployment.

On the wider budget standoff, Mr Bob Dole, Senate majority leader, has estimated at 50-50 the chances of reaching a compromise by the end of this year. However, Mr Mike McCurry, White House spokesman, has warned that differences of principle exist over spending priorities which may never be resolved during the Clinton presidency.

OECD says US achieved 'soft landing'

Fed's pre-emptive strike against inflation is thought to have worked, writes Michael Prowse

The US will enjoy moderate growth, low inflation and near full employment next year, the Organisation for Economic Co-operation and Development said yesterday in a generally favourable assessment of US economic prospects.

The Paris-based group said the Federal Reserve – the US central bank – appeared to have achieved a "soft landing" after its pre-emptive strike against inflation last year. After a pause earlier this year, the economy was likely to grow at an annual rate of about 2.5 per cent in 1996, reflecting a moderate expansion of consumer spending. The jobless rate was likely to stay below 6 per cent.

The Fed cut interest rates by a quarter point to 5.75 per cent in July and financial markets expect further modest cuts if the Congress and White House reach agreement on a deal to balance the federal budget. However, the OECD said a cautious monetary stance now seemed desirable. Further rate cuts "might ultimately prove inappropriate and could need to be quickly reversed". The Fed needed to show "vigilance against any return to inflationary tendencies".

The OECD said this year's decline in long bond yields, rise in share prices and low levels of unemployment would buttress consumer spending over the next 18 months. The expansion would continue to be led by corporate investment, reflecting the "healthy condition of business balance sheets". However, the rate of growth of investment would slow somewhat from the double-digit pace of the recent past.

Export growth would be robust, reflecting renewed strength of overseas markets, economic recovery in Japan and improved financial conditions in Mexico. But imports were likely to grow less vigorously owing to a slower expansion of US domestic demand. The current account deficit was thus likely to decline slightly – to $164bn against $171bn this year.

The report was optimistic on the outlook for prices, predicting at worst a slight increase in the underlying rate of consumer price inflation next year to 2.5 per cent compared with 2.3 per cent this year. This business cycle had seen much less upward pressure on wages and prices than was typical in previous upturns, the OECD said.

Other encouraging features included a larger than normal reduction in the structural budget deficit, which had been significant in preventing overheating and thus extending the life of the recovery.

US ECONOMIC OUTLOOK*

	1994	1995	1996	1995 I	1995 II	1996 I	1996 II
Private consumption	3.5	3.0	2.6	2.9	3.2	2.3	2.4
Government consumption	-0.7	-0.5	-0.6	-1.6	-0.5	-0.6	-0.6
Gross fixed investment	12.3	9.8	5.4	12.2	5.4	5.7	5.0
of which:							
Residential	8.6	-2.0	3.5	-4.6	2.0	4.5	3.0
Non-residential	13.7	13.9	6.0	18.1	6.4	6.1	5.5
Final domestic demand	4.1	3.6	2.6	3.7	3.0	2.5	2.4
Stockbuilding**	0.6	-0.3	-0.3	-0.4	-0.8	-0.1	0.6
Exports of goods and services	9.0	10.3	9.7	8.8	7.5	10.5	10.4
Imports of goods and services	13.4	10.7	7.1	10.3	7.4	7.0	7.1
GDP at constant prices	4.1	3.0	2.5	2.9	2.1	2.7	2.7
Memorandum items							
Private consumpt. deflator %	2.1	2.3	2.5	2.2	2.2	2.5	2.5
Unemployment rate %	6.1	5.7	5.8	6.6	5.7	5.8	5.9
Three-month T-bill rate %	4.2	5.5	5.4	5.7	5.4	5.4	5.5
10-yr Treasury note rate %	7.1	6.7	6.3	7.1	6.4	6.4	6.3
Current account balance							
$ billion	-151	-171	-164				
Per cent of GDP	-2.2	-2.4	-2.2				

*Percentage change from previous period (in private consumption and other items related to GDP), seasonally adjusted at annual rates, volume (1987 prices). The yearly and half-yearly rates of change refer to changes expressed as a percentage of GDP in the previous period. Source: OECD estimates

The report welcomed efforts by Congress and the White House to reduce the federal budget deficit and emphasised the dire long-term consequences of failing to address likely deficits on social security (publicly funded pensions) and healthcare. If no action were taken, the OECD said, the budget deficit would increase from 2.3 per cent of gross domestic product this year to 18 per cent in 2030. The ratio of debt to GDP would rise from 52 per cent to 190 per cent over the same period.

However, the debt-to-GDP ratio could be stabilised at current levels provided spending reductions or tax increases equivalent to about 7 per cent of GDP were phased in over the next 35 years. The annual deficit reduction required – about 0.2 per cent of GDP – was approximately half as large as proposals recently adopted. But to be effective, fiscal restraint would have to be persistent over a prolonged time period.

While supporting the goal of balancing the federal budget, the report rejected many of the policies championed by the Republican-dominated Congress. The final outcome of current negotiations would "most likely weaken the social safety net".

The envisaged policies would not address many pressing structural problems including "the low level of public investment in infrastructure, the uneven access to healthcare insurance, failures in primary and secondary education and high rates of social exclusion in urban areas".

The OECD attacked plans to shift responsibility for many social programmes to the states, arguing that lower tiers of government "will face clear incentives to trim the benefits they offer, thereby aggravating worsening income inequality trends. Further reducing the federal government's economic role will also curtail its ability to buffer regional shocks."

An analysis of US tertiary education and workforce training reached generally positive conclusions. The proportion of Americans completing university education, at 27 per cent, was twice the OECD average. The proportion of adults reporting some form of work-related education, at 38 per cent, was also high by international standards.

The US system of "highly decentralised control, strong competition and heavy use of market testing of services in public universities" was in some respects a more suitable model for adult education than the German "dual system" of company-based apprenticeships.

In general, adults with the inclination and resources "can avail themselves of a wealth of relatively high-quality training and general education services". However, the system, for all its strengths, failed to work because many people were unwilling or unable to seize the opportunities available. This failure, however, was a symptom of a broader failure of the US "social" model rather than of adult education and training per se.

British Gas in Falklands study

By Robert Corzine

British Gas and YPF, Argentina's largest oil company, have become the first big international energy groups to announce publicly an interest in exploring for oil and gas around the Falkland Islands in the South Atlantic.

The two companies, partners in the Transgas project to supply Argentine natural gas to Chile, say they will undertake a joint study of seismic data on the exploration blocks being offered by the government of the Falkland Islands.

If their findings are positive, the two companies may make a joint bid next year for specific offshore areas. The licensing round, announced last month, is to close next July.

Officials from the islands' government have already said that they will look favourably on applications involving an Argentine partner because "Argentina would be less likely to interfere if their companies were involved."

British Gas will lead the joint study group, but costs will be shared. YPF will also contribute data it has from exploration in Argentine waters near the Falklands.

If the two companies decide to bid for acreage, British Gas will have a 51 per cent stake, with YPF having the remaining 49 per cent.

Under the terms of the licensing round, Argentine companies may have no more than 49 per cent of any winning consortium. Also, Argentine companies such as YPF will not be allowed to operate drilling rigs or production platforms around the Falklands.

Mr Howard Dalton, head of British Gas's exploration and production arm, said the company's interest in the Falklands was a natural extension of its growing activities in South America.

Promoters of the oil and gas potential of the Falklands point to seismic studies indicating that reserves could rival those of the North Sea. But there is little detailed evaluation of the seismic data so far, and no exploration wells have been drilled.

Mexico to probe finances of Salinas brother

By Leslie Crawford in Mexico City

The Mexican Congress has voted to set up a commission of inquiry to investigate the rapid enrichment of Mr Raúl Salinas while he was a civil servant during the presidency of his younger brother, Mr Carlos Salinas. The latter left office a year ago.

This is the first time the Congress has decided to investigate a senior political figure.

The question is whether the present administration of President Ernesto Zedillo will be able to confine the investigation to Mr Raúl Salinas's activities or whether the inquiry will become a much wider probe into corruption within the previous government, in which Mr Zedillo and most of his cabinet served.

Mr Raúl Salinas was jailed in February while facing charges of having masterminded the assassination of the leader of the ruling Institutional Revolutionary Party in September 1994. Last week, as the prosecution's case appeared to founder, the attorney general's office decided to press new charges against him – of forgery and illicit enrichment.

Mr Raúl Salinas's wife, Paulina Castañón, was arrested in Switzerland this month as, it was alleged, she tried to withdraw $84m from bank accounts her husband held under a false name.

Police in Berne said she was being held in connection with a probe of drug trafficking and money laundering.

In Mexico, however, the attorney general's office said it had no grounds to suspect that Mr Raúl Salinas's wealth had been derived from drugs. He maintains that he obtained the money legally.

The Mexican government has made public Mr Raúl Salinas's income statements for the years in which he served as a director of Conasupo, the government's maize marketing board. In 1982-92, Mr Salinas accumulated more than 20 properties in Mexico. His tax declarations did not include foreign bank accounts.

Bond issue, Page 21

Aristide rejects call to remain in office

By Canute James in Kingston

President Jean-Bertrand Aristide of Haiti has ended speculation about his political future by saying he will step down in February and hand over to the winner of elections scheduled for December 17.

The president's commitment to honour the constitution, which prevents consecutive terms, follows his statement late last week that he was considering a demand from supporters that he stay on after February because he had been "robbed" of three years while he was exiled following a military coup. Fr Aristide was reinstated just over a year ago.

"I am leaving on February 7," he told a local newspaper in an interview published yesterday. His likely successor is Mr René Préval, a former prime minister who is supported by the Lavalas political coalition which backs Fr Aristide, and which controls the legislature.

Fr Aristide's commitment to step down in February follows increasing concern in Washington about his plans. Mr William Perry, US defence secretary, and Ms Madeleine Albright, US ambassador to the United Nations, said at the weekend that they were confident Fr Aristide would permit his successor to be elected next month.

The US administration is worried about the possibility of the president bending to the wishes of his supporters and staying on, saying this would have discredited last year's international efforts, mainly the US military intervention, to restore the exiled leader. "We can say that Washington's concern was passed on to important ears in Haiti over the past few days, and that this was relayed to Fr Aristide," said one diplomat in Port-au-Prince, Haiti's capital.

Fr Aristide's decision does not mean an end to his involvement in Haitian politics. He plans to stand for the presidency in the election in 2000, his aides said. Fr Aristide will also be an influential force behind the scenes in the likely event that Mr Préval is elected next month.

AMERICAN NEWS DIGEST

Colombia plans power sell-off

Colombian government officials are this week discussing with European power generation companies plans to privatise about a third of the country's electricity generating capacity, which could raise as much as $2bn to $3bn.

Mr Leopoldo Montáñez, Colombia's deputy minister of energy, said in London the aim was to sell off 10 existing power stations by auction next year. The plants generate 3,445 MW out of a total Colombian capacity of 10,380 MW.

With the privatisation of other generation capacity in the capital, Bogotá, and new private power stations coming on stream, the government estimates some 60 per cent of the country's generating capacity could be private in a couple of years. Of the plants to be privatised, under a law passed in 1994, two use coal, four gas and four hydro-power.

Colombian officials are talking in London with officials from five companies – Powergen, International Hydro, Iberdrola, Tractabel and National Power. Similar discussions are planned in the US and Canada. Kleinwort Benson and Salomon Brothers have been advising on the privatisation.

The government estimates annual growth in electricity demand at some 6 per cent, and is seeking to use new private power plants, to be commissioned over the next five years, so as to avoid the sort of power shortages caused recently by droughts through an over-reliance on hydroelectric power.

Stephen Fidler, London

Securities law change nearer

Legislation to reduce litigation in the US securities industry moved another step towards enactment late on Tuesday, when a conference committee of both chambers of Congress passed a compromise bill. It is now expected to be voted on by each chamber early next week, and go for presidential signature.

The aim is to encourage companies to provide more information to investors, by reducing the risk of their facing "frivolous" law suits. The bill's provisions have found favour with the US Securities and Exchange Commission.

The bill was amended during congressional conference, in particular to meet concerns over the "safe harbour" provisions, by which companies may make forecasts without facing lawsuits if these prove incorrect. The new version of the bill would free forecasts from being actionable, so long as they were "accompanied by meaningful cautionary statements" which identify risk factors. Statements made in connection with an initial public offering would not be covered.

Maggie Urry, New York

Auto workers vote on contract

United Autoworkers Union members in the US will vote during Saturday and Sunday on a new labour contract offered by Caterpillar, the US heavy equipment maker. If the contract is approved, it will end a bitter 17-month strike against the company by the union.

Caterpillar and the UAW would not comment on the terms of the contract, but analysts believe it would be for six years – twice as long as most UAW contracts. They also said that Caterpillar's offer seemed to differ little from that put to the union two years ago. Then, Caterpillar sought a two-tiered wage structure and more flexibility on rules, saying it needed this to remain globally competitive.

Laurie Morse, Chicago

HDTV standard recommended

A high-level US committee has recommended a federal standard for high-definition television, which will offer film-like clarity and sound to rival that of compact discs.

The high-definition system, proposed by a group of companies known as the Grand Alliance, is "superior to any known alternative system in the world," the Federal Communications Commission was told this week by the advisory committee. The proposal was the only one considered.

Members of the alliance are AT&T, General Instrument, the Massachusetts Institute of Technology, Philips Consumer Electronics, the David Sarnoff Research Center, Thomson Consumer Electronics and Zenith Electronics.

Various legal steps remain before the US government would establish the system as the standard for television manufacturers and broadcasters selling equipment in the US. Congress also is considering legislation.

AP, Washington

America speeds up

The speed limit on US roads is to be raised, after President Bill Clinton's decision to sign the "pedal-to-the-metal" bill that abolishes the national 55 mph limit. From the end of next week, states will be free to set their own limits. At least one state – Montana – will have no day-time limit at all.

The 55 mph limit was imposed by the federal government in 1974 as a fuel-saving measure. In 1987, there was a slight relaxation when states were allowed to raise the limit to 65 on rural highways that met inter-state standards, but western states in particular argued that their wide open spaces and light population densities made such low speeds unnecessary.

Now, limits will rise to 75 mph in Kansas, Nevada and Wyoming, and to 70 mph in California, Missouri, Oklahoma, South Dakota and Texas.

Richard Tomkins, New York

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NEWS: WORLD TRADE

WTO names appeal judges

By Frances Williams in Geneva

The World Trade Organisation yesterday named the seven members of its appeals body that will be the final arbiter of international trade disputes.

The choice disappointed the European Union, which considers the regional balance weighted towards Asia-Pacific. The EU and US originally demanded two seats each, based on their share of world trade, but this was rejected by other WTO members.

Mr Jean-Pierre Leng, EU ambassador, told the WTO's dispute settlement body that Brussels would submit proposals to next year's WTO ministerial meeting in Singapore intended to ensure adequate recognition of the EU's trading weight in the appeals tribunal.

WTO rules stipulate that appeals body judges should be "persons of recognised authority" acting in an independent capacity but "broadly representative" of the WTO membership. The part-time judges will be paid a monthly retainer of SFr7,000 ($6,194) plus a daily fee and expenses.

The seven are:

- Mr James Bacchus, a US lawyer, former trade official and Democratic congressman.
- Mr Christopher Beeby, a retired New Zealand diplomat.
- Prof Claus-Dieter Ehlermann of Germany, professor of economic law at the European University Institute in Florence and former head of the EU's competition directorate.
- Prof Said El-Naggar of Egypt, professor of economics at Cairo University and former World Bank executive director.
- Mr Florentino Feliciano, a Philippines supreme court judge and international arbitrator in investment and commercial disputes.
- Mr Julio Lacarte Muro of Uruguay, former Gatt ambassador and Uruguay's chief negotiator in the Uruguay Round of global trade talks.
- Prof Mitsuo Matsushita of Japan, a law professor at Seikei and Tokyo universities and an expert on international economic law.

Brittan warns Seoul on shipyards

By John Burton in Seoul

Sir Leon Brittan, the EU vice president, yesterday urged South Korea to remove restrictions on car imports and to end indirect subsidies for its shipbuilders.

Sir Leon was in Seoul to negotiate an EU-South Korean trade and investment treaty, which is expected to be signed next year.

Sir Leon expressed concern about the rapid expansion of Korean shipbuilding. "We do not believe that the world demand for shipbuilding services is sufficient to meet the supply being provided by Korea," he said.

"The best limitation on such expansion will be the clear recognition and understanding that the Korean authorities will not bail out any company that finds itself in difficulties because it has overestimated demand."

The Korean government in 1989 rescued Daewoo, the country's second biggest shipbuilder, from a threatened collapse posed by mounting losses. Officials then imposed a freeze on shipbuilding expansion until two years ago. Korean shipbuilders plan to more than double production capacity to 9m gross tonnes by 2000 from 4m gross tonnes in 1990.

Seoul has promised not to give financial support or indirect subsidies to shipbuilders once it ratifies a multilateral shipbuilding agreement sponsored by the Organisation for Economic Co-operation and Development.

Sir Leon also demanded that European carmakers should have greater access to the Korean market.

"Europe exports less cars proportionally to Korea than to other comparable markets. There nothing special about Korean conditions which makes European cars less suitable here." Only 2,223 European cars were sold in Korea last year, accounting for less than 0.2 per cent of car sales.

Sir Leon blamed the weak car sales on a "combination of cultural, administrative and regulatory obstacles".

As part of the trade pact, the EU is seeking an improved investment climate for foreigners and stronger protection of intellectual property rights. South Korea, in turn, wants an agreement on mutual recognition of product standards.

AsiaSat launch buoys China's rocket plans

By Alan Cane

The successful launch of the $200m AsiaSat-2 satellite from Sichuan province in western China opens a new era both for communications in Asia and for China's fast developing aerospace industry. Following the launch, Beijing yesterday announced aggressive plans to launch 25 domestic and foreign satellites by the middle of 1998.

An executive of the China Aerospace Corporation which launches the country's "Long March" rockets said all components of the launch vehicle were Chinese made. "It functioned very well," he said. "We have already signed contracts for the next three launches and plan to launch 25 over the next 28 months."

There had been some apprehension before the launch. It was the first commercial launch since January this year when a China-backed Apstar satellite blew up aboard a Long March rocket shortly after take-off. China and Hughes Space and Communications, the satellite manufacturer, blamed the disaster on wind shear.

Among customers left to find alternative vehicles for their transmissions were Ted Turner, Sports Channel, Home Box Office, Discovery Channel and Hong Kong's Television Broadcasts.

AsiaSat-2, which is due to arrive at its final position in space in early December, is the most powerful satellite covering the Asia-Pacific region. "It is much more powerful than anything else up there at the moment," Mr Peter Jackson, AsiaSat chief executive said.

Television viewers within the satellite's footprint, stretching from Moscow to New Zealand, will receive better pictures with a smaller satellite dish.

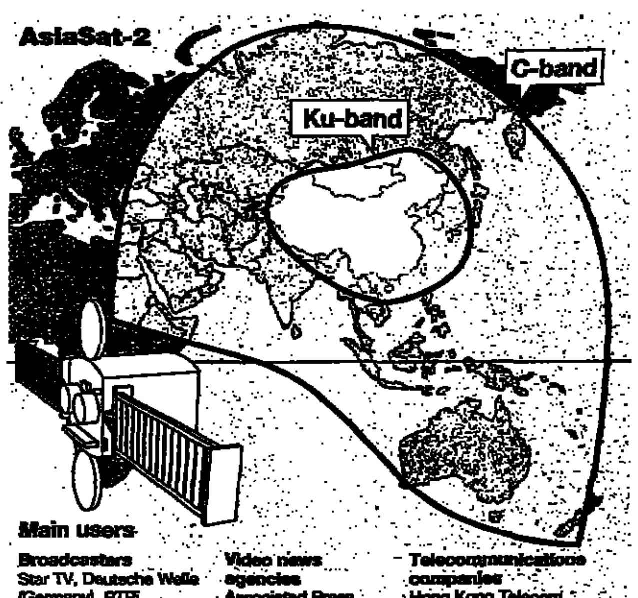
The satellite carries 33 transponders, the electronic devices responsible for receiving and retransmitting communications signals. Twenty-four are C band, transmitting a signal over a broad area and relatively impervious to climatic conditions. AsiaSat-2's C band footprint covers 53 countries in Asia, the Indian subcontinent, the Middle East, Eastern Europe, Australia and part of the Commonwealth of Independent States.

The nine Ku band transponders operate at lower frequency and are favoured for a form of two-way business communication called VSAT (very small aperture terminals). The Ku-band beam will be focused on China, Taiwan, Korea, Japan and Hong Kong.

The satellite's broadcasting customers, relieved by its safe journey into space, include Star TV, owned by Mr Rupert Murdoch's News International, Deutsche Welle radio and television international from Germany, RTPi International TV from Portugal and the Ministry of Radio, Film and Television of China.

Mr Gary Davey, chief executive of Star TV, said: "This occasion is every bit as historic as the launch of AsiaSat 1 in 1990." The satellite is critical to Star's plans to provide additional channels and services to the Asian market. It will be able to compress digital, or computer language, transmissions from the satellite, increasing the number of channels that can be transmitted.

AsiaSat, is owned equally by Cable and Wireless, the UK based telecommunications group, China International Trust and Investment Corporation and Hutchison Whampoa, the Hong Kong based group. Established in 1988 in Hong Kong, it is Asia's first privately owned satellite operator.



State broadcaster tightens grip on India

By Shiraz Sidhva in New Delhi

India is to launch the third in the Insat-2 series of satellites designed and built by the government's Indian Space Research Organisation (ISRO) on December 6.

Scientists at the Bangalore-based organisation say the $60m Insat-2C satellite will be launched by an Ariane rocket from Kourou in French Guyana.

The Insat-2C is 50 per cent heavier and carries more payload than its predecessors, the Insat-1D (launched in June 1990), the 2A (July 1992), and 2B (July 1993).

The new satellite is powerful enough to reach beyond the Indian subcontinent to eastern Europe, south-east Asia and Africa.

Doordarshan, India's state-owned television network, uses Insat satellites to beam 17 Hindi, English and regional language channels to more than 250m people in India.

It will move some of its capacity on Insat-2B onto the new satellite. Insat-2C will help the state broadcaster to consolidate its supremacy over private international and domestic broadcasters entering the Asian market.

Doordarshan is planning strategic tie-ups with international broadcasters similar to an existing link with CNN, the international news channel.

CNN pays Doordarshan $1.5m a year to use its satellite platform and shares advertising revenue.

WORLD TRADE NEWS DIGEST

Courtaulds wins patents victory

Courtaulds, the UK speciality chemicals group, yesterday won a legal victory in the US with the dismissal of a patent infringement case over its leading new product, Tencel.

Austria's Lenzing, the world's leading producer of viscose fibre, had claimed that the UK company infringed its patent on a part of the process for making Lyocell, a wood-pulp based fibre originally developed by Courtaulds under the brand name Tencel. A US district court dismissed Lenzing's case, invalidating the Austrian group's US patent. However, Lenzing has 30 days to appeal.

In Europe, Lenzing has a case pending with the European Patent Office in Europe. Courtaulds has asked for the patent to be struck out. The UK group has also filed a separate claim in the UK High Court asking for Lenzing's UK patent to be invalidated. The Austrian company has filed a counter-claim. The European and UK actions are expected to be heard in late 1996 or early 1997. *Motoko Rich, London*

US eases telecom investor rules

The Federal Communications Commission, the US telecoms and media watchdog, has set new ownership rules for foreign companies seeking to invest in the US telecoms services market. The anticipated new rules make it easier for the FCC to approve large foreign stakes in US telecoms companies if the overseas company's home market is already open to competition or is in the process of opening its market.

In the past, foreign investment in a US telecoms company has been limited to 20 per cent directly or 25 per cent if there was an indirect element. Mr Reed Hundt, FCC chairman, said the rule change was designed to encourage liberalisation in foreign markets while making it easier for US companies to attract overseas investment. Next month the FCC is expected to rule on a proposed $4bn investment by France Télécom and Deutsche Telekom in Sprint, the third largest US long haul carrier and decide when to allow the resulting joint venture, Phoenix, to compete in the US. Alan Cane

Italian video pirates targeted

Record producers are to open a special office in Milan in January to spearhead their campaign to beat piracy in the Italian recorded music industry. The office will be run by FIMI, the national industry federation, and IFPI, the international umbrella organisation for the recording industry, and staffed by anti-piracy specialists. With a budget of $1m, the campaign will concentrate on enforcing Italian laws against music piracy and raising awareness. Pirated recordings in Italy – on cassette, compact disc and vinyl – have tripled in four years and now account for 44 per cent of pirated recordings in the European Union. IFPI is modelling its operation on the successful anti-piracy unit set up in Spain in the 1980s. *Andrew Hill, Milan*

■ Kier Group of the UK has won two contracts in Dubai worth £11.8m ($18.4m) for repairs at Port Rashid for the Dubai Ports Authority and the construction of a sewer and pumphouse for Dubai municipality. The group has also won a £9m contract for a brine water intake system at the Dead Sea in Jordan for the Arab Potash Company. It has also won a £7.1m contract to build a new headquarters for the Central Bank of Belize. *Andrew Taylor, Construction Correspondent*

■ Hydro-Quebec International, owned by Canada's second biggest power utility, Hydro-Quebec, has sold a second power systems simulator to Mitsubishi Electric, Kobe, Japan, for C$9m ($6.6m). It will be used for developing a pump-storage power distribution system. *Robert Gibbens, Montreal*

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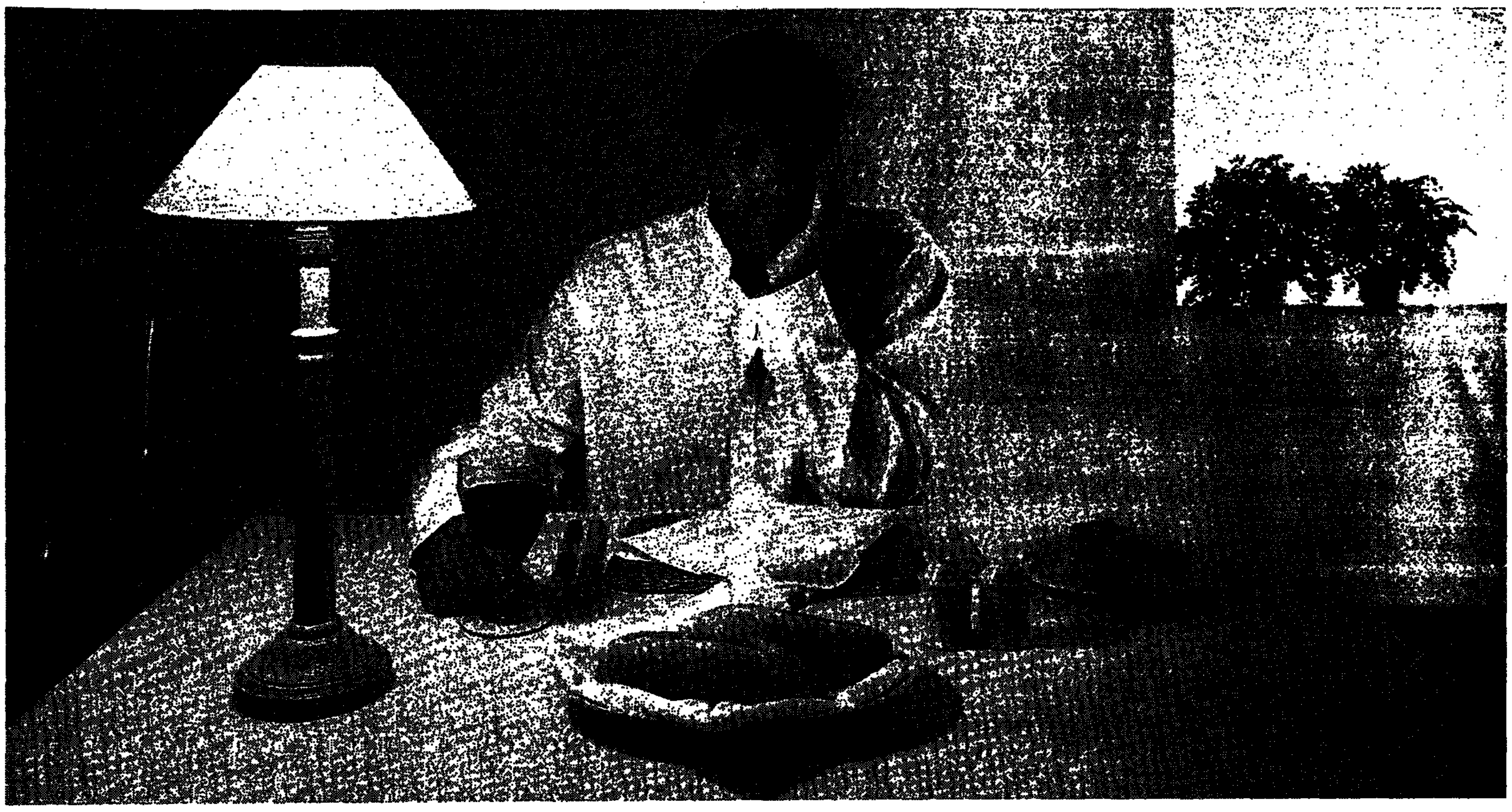
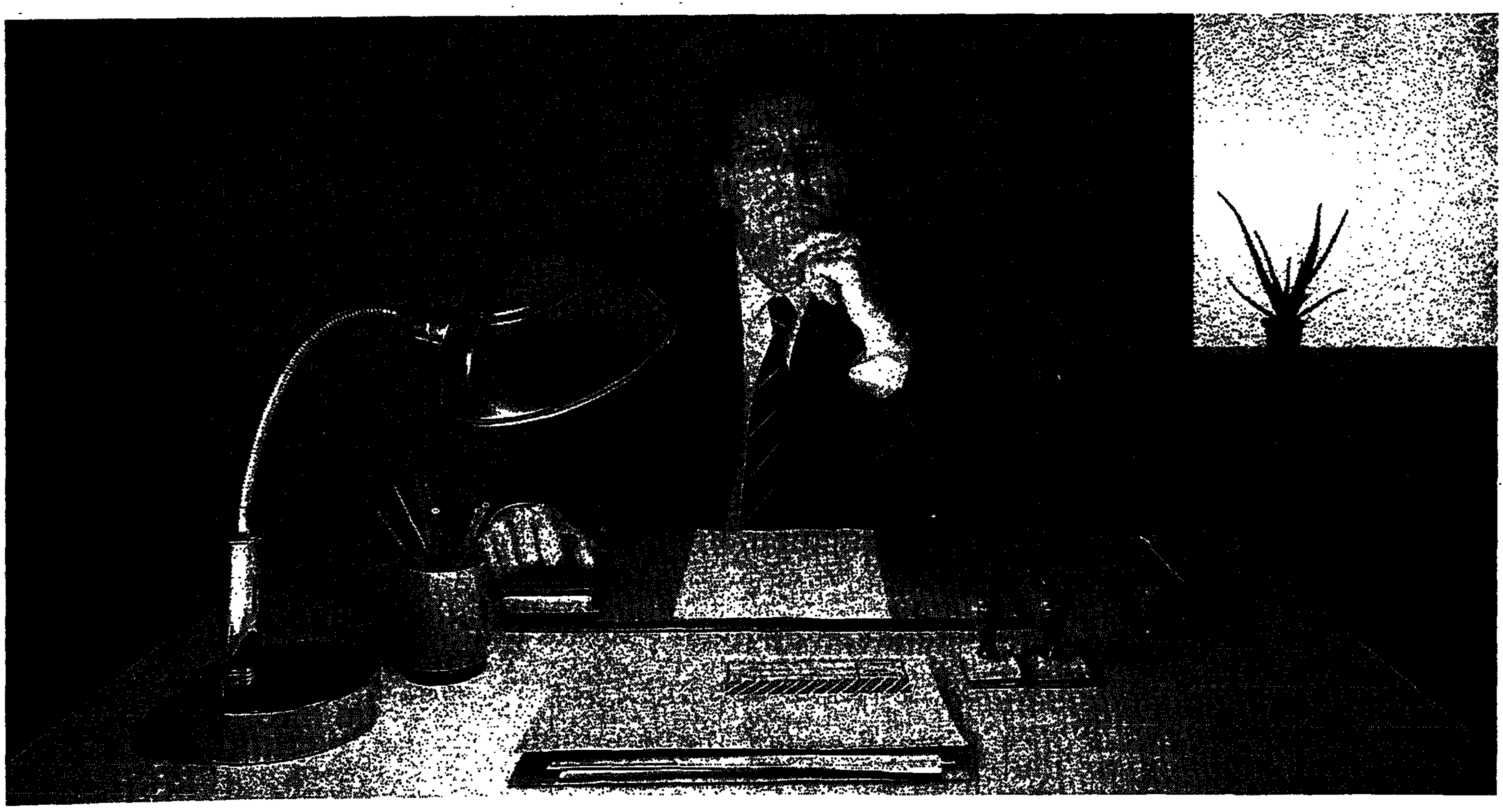
If you want to smoke who should you ask?



Someone in the same room?



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Tokyo panel urges tough deregulation

By William Dawkins in Tokyo

Japan must carry out painful economic deregulation or submit to even more traumatic below-average economic growth for at least the next five years, a top government panel warned yesterday.

The Economic Council, an advisory body to the prime minister, yesterday predicted in its latest draft economic plan that growth in gross domestic product would, all being well, average 3 per cent from now to the end of the century.

That is the lowest projection of any economic plan since Japan started setting such five-year targets in 1956. But growth could fall even lower, to 1.75 per cent if the government fails to pursue economic reform, the council warned.

Unemployment would rise from the present record 3.2 per cent to 3.75 per cent in the worst case, but could fall back to 2.75 per cent if deregulation was effective, it said.

The plan, to be presented for adoption to the cabinet tomorrow, will be shown to trading partners to underline Japan's *oft-doubted commitment to* restructure the economy, which has stagnated for almost four years.

It is unclear whether Japanese policy makers will take the plan any more to heart than the series of other official reports in the past year urging more radical deregulation than the cautious steps so far achieved.

The scheme contains an action programme, which will have moral rather than political force, outlining 10 sectors where cost reductions are most urgent. They include distribution, energy, and consumer prices.

The plan cites seven industries, all in services, expected to create 7.3m jobs by 2010. This is the clearest official recognition yet of the change in industrial structure from before the recession, when car and electronics manufacturing were the motors of the Japanese economy.

The telecommunications market is forecast nearly to treble from Y56,000bn ($554bn) annual sales in 1993 to Y155,000bn by the end of the decade, led by mobile telephony, home shopping and remote education, the plan says.

A fast-ageing society is expected to lead to a rise in health, medical and welfare spending from Y37,000bn annually to Y69,000bn over the same period. Other sectors targeted for growth are corporate services, employment agencies, leisure and lifestyle, housing and environmental services. The scheme stresses the need to improve the quality of life, which remains well below that of other advanced economies.

● Japan's industrial output rose by a much lower-than-expected 1.2 per cent from September to October and will decline for the rest of this year, official data released yesterday shows.

Miti said manufacturers had earlier told researchers they expected production to rise by 3.2 per cent in October. Now, companies expect production to fall 0.1 per cent this month and 0.5 per cent in December, leaving output up 2.8 per cent for the year as a whole.

Australia's economic growth slips to 3.3%

But this rate was well above market expectations

By Nikki Tait in Sydney

Australia's growth rate slipped to 3.3 per cent year-on-year in the September quarter (from 3.7 per cent previously), but national accounts data published yesterday failed to indicate any sharp slowing of the economy.

Many analysts, alerted by a downturn in the housing sector and corporate profit warnings, had expected the third-quarter growth rate to be significantly lower. Market expectations had averaged 1-1.2 per cent, against the 1.6 per cent which materialised.

Despite this, some economists expressed concern over the rise in stocks during the three-month period. "Virtually all growth in gross national expenditure over the quarter resulted from the positive contribution made by stocks," Société Générale Australia noted. "This suggests domestic demand stays relatively weak and domestic economic conditions will soften over the fourth quarter as the private sector acts to cut stock levels."

The latest growth is below the 3.75 per cent estimated for 1995-96 in last May's budget. Ministers, eyeing the looming federal election, greeted the figures. Mr Ralph Willis, the treasurer, said they were "consistent with continued economic growth in 1995-96 outlined in the budget".

He pointed to the absence of any significant build-up of inflationary pressures, and to the much-improved contribution from net exports. "I think we'll continue to see a good contribution from net exports." He expected the target growth figure for 1995-96 to stay at 3-4 per cent when the treasury publishes its mid-term review next month.

Meanwhile, according to a report issued today, Australia could see annualised benefits of A$7bn (US$5.1bn) if it closed the output gap with the US in five industries: retailing, retail banking, aviation, food-processing and building.

The report by McKinsey, the international management consultants, estimates similar benefits in other market sectors could be worth an extra A$30bn a year. But since 1970, Australia's per capita GDP has lagged behind the US by about 30 per cent (a similar differential to that of the UK). In Australia's case, McKinsey found "most of this gap due to lower labour productivity, and the remainder to lower employment per capita".

In four of the five industries studied, Australian labour productivity lagged behind that of the US by a significant margin – and in retail banking, the weakest of all, it was only 60 per cent of US levels. Only in construction did Australia approach US standards.

● Striking workers at CRA's North Queensland bauxite mine, whose quest to keep collective bargaining almost halted Australia this month, have agreed a return to work tomorrow. Their case, centring on pay parities with fellow-workers on individual contracts, has been taken up by the Australian Council of Trade Unions.

● Plans to develop a futuristic high-tech centre – "multifunctional polis" – in South Australia were dealt a further blow yesterday when chief executive Ross Kennan quit.

Australia Survey: See Separate Section

Limits stay on foreign banks

By Geoffrey Crothall in Beijing

Opening China's banking to foreign competition too rapidly would "generate shocks to the financial system" and lead to "incalculable consequences for the domestic economy," a senior central bank official warned yesterday.

Mr Di Weiping, deputy director of the People's Bank of China's foreign financial institution department, stressed that banks from abroad would be allowed to conduct local currency business in China only once the central bank's monetary management and financial supervision had been sufficiently strengthened.

Foreign bank branches in China are at present restricted to 24 cities and can do business only in foreign currency.

"Allowing foreign banks to engage in local currency business would no doubt increase the complexity and difficulty of the People's Bank's role in financial regulation and supervision," Mr Di told an international banking conference in Beijing yesterday.

In this context, the process of allowing foreign banks to conduct local currency business "would have to be synchronised with the pace of the enhancement of the central bank's abilities in macro-economic management and financial supervision," he said.

Mr Di refused to provide a timetable for when the central bank would let foreign banks do local currency business.

The discrepancy between the tax rates applied to foreign banks (15 per cent) and the main Chinese banks (55 per cent) has been cited by many observers as the main obstacle to foreign banks doing local currency business. Mr Di suggested this was something of a red herring.

"It has been suggested that Chinese banks would be subject to unfair competition if foreign banks were allowed to do local currency business while the tax rates were uneven. This argument is a little far-fetched," he declared.

He pointed out that the tax rates given to foreign banks were usually consolidated as profits on the books of the parent company and as such, subject to domestic taxes which in Japan, for example, could be as high as 60 per cent.

Several foreign banks had already indicated they would prefer a wider business scope *to preferential taxes with a* limited business scope, he said.

Ms Hsu bursts in on poll fight for Taiwan

By Laura Tyson, recently in Kaohsiung

"Breast vs fist: Isn't this the only means the weak have to confront the powerful?" reads the caption to a photograph depicting a young woman emerging from a hole ripped in the flag of Taiwan's ruling Nationalist party, wearing a white scarf and a beatific smile.

Ms Hsu Hsiao-dan, a third-time candidate, is among the most vivid contesting Saturday's parliamentary elections. The picture appears in a recently published collection of her musings on life, politics and society.

"Everyone in Taiwan knows Hsu Hsiao-dan," said the petite 37-year-old aspiring legislator at her pavement campaign headquarters in the bustling southern port city Kaohsiung. "But very few people really understand me."

The polls are the most crucial to date in Taiwan's transition to democracy; the long-ruling Nationalists may for the first time lose over half the seats in the legislature to opposition parties and independent candidates. This would force a coalition government and could weaken the position of the president vis-à-vis parliament.

Over the next three years, Taiwan faces its first presidential elections in March, Hong Kong's return to Chinese sovereignty in 1997, managing fraught relations with China, and constitutional reform.

Ms Hsu's unorthodox campaign techniques have tended to overshadow her political message since she burst on to Taiwan's political scene in the late 1980s. The former nude model gained renown for disrobing during demonstrations outside parliament and on the campaign trail.

But her earthy humour and strident rhetoric against the Kuomintang (KMT) Nationalists struck a chord among the mainly working-class voters of industrialised Kaohsiung. In the 1992 parliamentary elections she lost in a hard-fought race to her well-financed KMT opponent by just 107 votes.

Ms Hsu faces another powerful KMT candidate in Saturday's polls. "After the last election, I realised I have so many supporters out there, I just had to try again," she said. "Like them, I come from an ordinary background. I'm a woman, and I'm poor – I can't even afford an office for my campaign. Who else will speak *for them if I don't?*"

This time, Ms Hsu seems to have toned down her style. Her campaign literature depicts her praying in Buddhist temples as well as being arrested at demonstrations.

"Taiwan society has changed dramatically in the last seven or eight years as a result of political reforms," said Ms Hsu. "It is now very free but chaotic. Political development in the last few years has been very unhealthy. The ruling party hasn't done anything to solve Taiwan's worst problems. Organised crime is becoming more powerful; links between big business and politicians are stronger. These are the things ordinary people most despise."

Voters are especially worried about the economy. "We used to say Taiwan was ankle-deep in cash; that is no longer the case. Many small businesses, even some big companies, have gone bankrupt. Most of Taiwan's money is now in the hands of big business groups; they are sending their money overseas."

On Taiwan's delicate relations with China, Ms Hsu's is the middle-of-the-road majority view. "If we were unified and mainland China became chaotic, that would be bad for Taiwan. At this stage, we should maintain the status quo. If the economy is bad, we have nothing. If unification is going to make us poor, why should we want to unify?"

Ms Suu Kyi tells why her party quit constitutional talks Reuter

ASIA-PACIFIC NEWS DIGEST

Opposition in Burma pulls out

Burma's opposition National League for Democracy (NLD) withdrew from the country's constitutional convention yesterday, saying the military's stage-managed event was undemocratic and illegitimate.

The country's military junta responded by accusing the NLD of disrupting and marring the convention process, where the military's hand-picked delegates are slowly drawing up a new constitution for the country. Lt Gen Myo Nyunt, the convention's chairman, said the military would not tolerate such obstruction.

This war of words was not what Ms Aung San Suu Kyi, NLD leader, had in mind as she repeatedly called on the military to enter into a dialogue after she was released from house arrest in July. "We are so far apart that we can't get further apart," she said. But fearing another crackdown similar to that in 1988, in which hundreds of people were killed, Ms Suu Kyi said the NLD "does not want to call the people out into the streets and has no plan to do so".

Instead, she said her party, which won 80 per cent of the vote in 1990 general elections later disallowed by the military, would continue its peaceful organising work within the country. She called on the international community to increase its pressure on the military government. Potential foreign investors "jolly well should wait" to invest in the country until Burma had a democratic government, the opposition leader said. *Ted Bardacke, Rangoon*

Ramos orders sell-off finale

President Fidel Ramos instructed the Philippine cabinet yesterday to finalise plans for the final and most radical phase of government privatisation, nine years after Manila's state sell-off programme was launched.

The "third wave", which would encompass the National Power Corporation, the Manila water system, the postal service and state pension funds, would complete one of the most comprehensive privatisation drives in the region, leaving the government with little more than regulatory functions.

Economists say it may be more difficult to sell off the remaining assets than earlier privatisations like military bases, the oil company Petron, and the long-distance telephone company. The drive has so far netted 170bn pesos (£4.1bn).

Overseas interest in the "third wave", projected to ensure a third consecutive budget surplus in 1996, has been running high. Six investment banks have submitted bids to act as the government's adviser on the privatisation of Napocor, which, it is hoped, will occur within 12 months.

Last month, the government chose the International Finance Corporation, the private-sector arm of the World Bank, to be lead consultant in the privatisation of the Manila Water and *Sewerage System, which has already attracted* more than 10 informal bids from overseas water companies.

The president yesterday ordered senior government officials to look at ways of coping with a constitutional clause restricting the sale of strategic assets to foreign companies. *Edward Luce, Manila*

UK and China sign airport deals

Britain and China yesterday reached four agreements which provide for regularisation of the status of the public corporation building Hong Kong's multi-billion dollar airport. The agreements also covered the board of the Airport Authority and business franchises covering catering and aviation fuel supply.

Mr Wong Po-yan, a China adviser and since 1991 chairman of the airport consultative committee, has been named chairman of the authority's 16-member board. Mr Lo Chung-hing, a senior Bank of China official, is expected to be named deputy chairman. The authority, which will come into being on December 1, will now be able to sign a financial support agreement with the government, which will enable it to approach financial markets for loans.

Three companies, Cathay Pacific, Lufthansa, and Gate Gourmet, were awarded 15-year franchises for catering; Aviation Fuel Supply Company, a consortium of western and Chinese oil companies, won a 20-year franchise for fuel supply. *Simon Holberton, Hong Kong*

Taiwan acts on share ownership

Taiwan may allow foreign individuals to buy Taiwan-listed shares as early as February next year as part of a long-term plan to liberalise domestic financial markets. The central bank and finance ministry yesterday agreed to the measure, the finance ministry said. Cabinet approval is needed before it will take effect. Taiwan opened its stock market to investment by approved foreign institutions in 1991 but foreign individuals are banned.

Securities analysts cautioned that the accord reached was "in principle" and details remained to be worked out. Initial reports suggested the relaxation measure may apply only to those foreigners holding valid Taiwan residence documents. Monetary authorities recently raised an overall *ceiling on* foreign investment in Taiwan shares from 12 per cent of total market capitalisation to 15 per cent. *Laura Tyson, Taipei*

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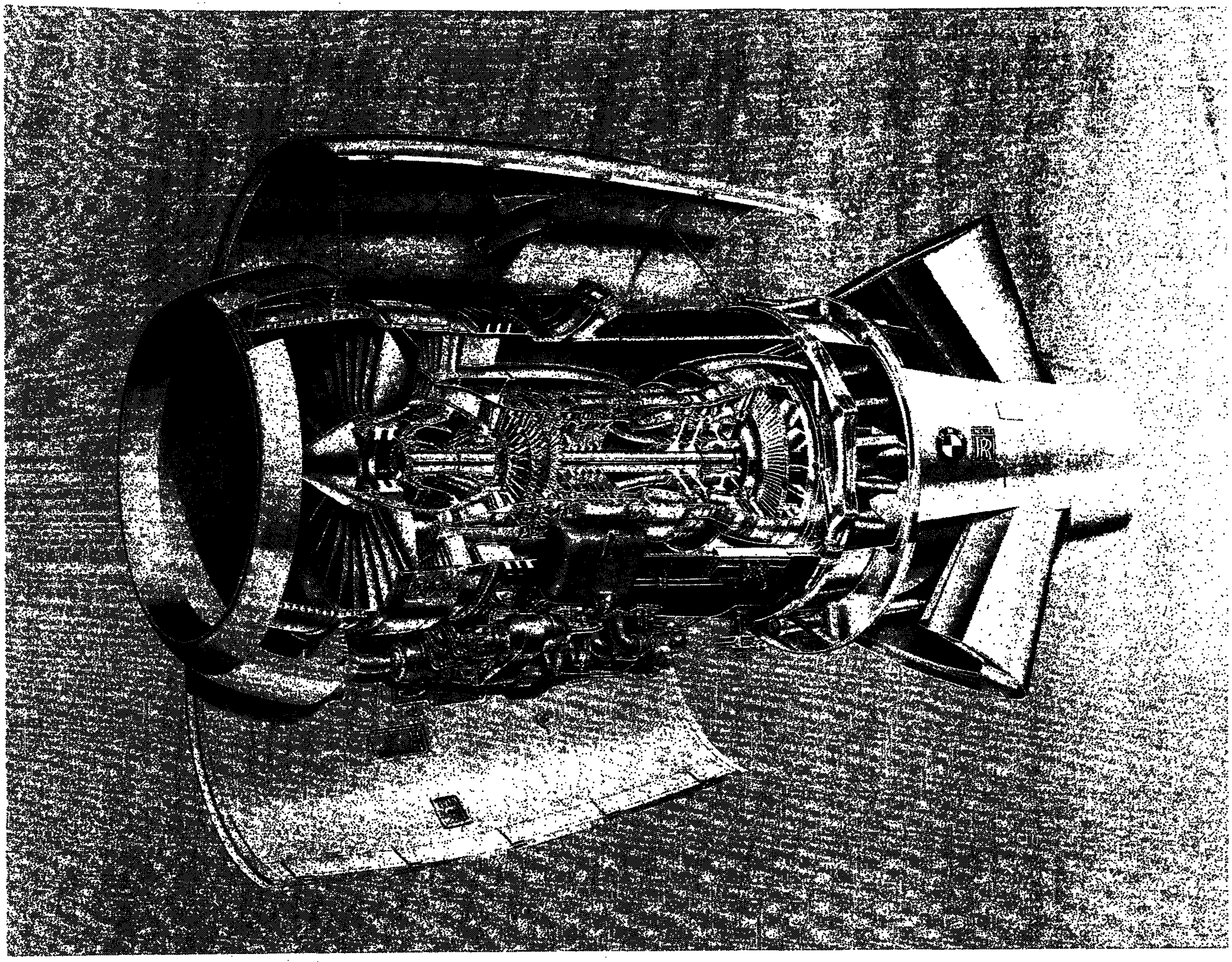
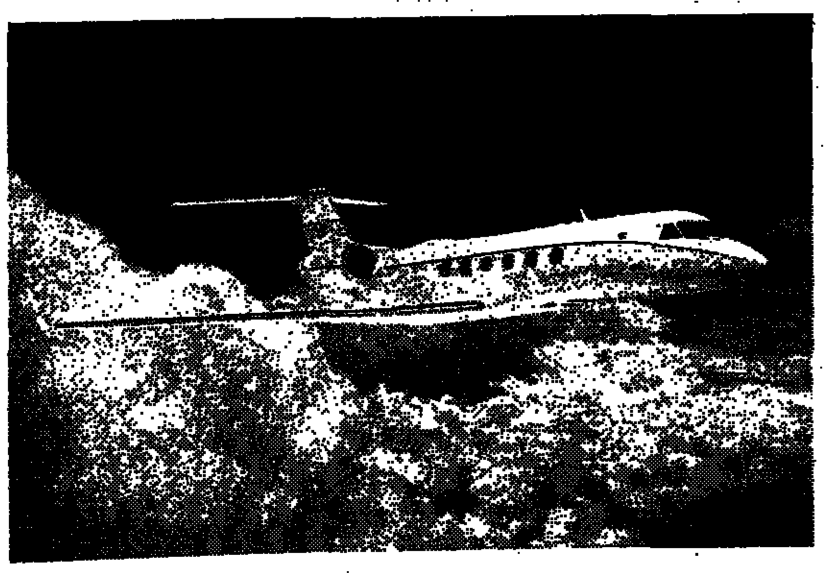
First Flight





The new large corporate jet Gulfstream V®, powered by BMW Rolls-Royce BR710 engines, will fly ultra long distances e.g. New York to Tokyo or London to Singapore non-stop.

BMW Rolls-Royce BR710 engines, powering the newly developed Gulfstream V® ultra long range corporate jet, have successfully completed a first flight in Savannah, USA. The BR710 is the first member of the new BR700 engine family and the first ever German production jet engine designed for civil aircraft.

BMW Rolls-Royce has secured all possible orders to power the ultra long range corporate jets and the new 100-seater regional aircraft. The *BR710* propulsion system has been selected for both the Gulfstream V® and the Bombardier Global Express®, making BMW Rolls-Royce the exclusive engine supplier for this new generation of corporate jets. The larger BR715 propulsion system has been chosen as the sole powerplant for the new McDonnell Douglas MD-95, the short and medium range jet family, and is due to begin commercial service for the launch customer ValuJet Airlines in June 1999.

BMW Rolls-Royce
AeroEngines

Hohenmarkstraße 60-70, D-61440 Oberursel, Germany
Eschenweg, D-15827 Dahlewitz, Germany

Clinton visit Like a true southern gentleman, he had nothing but praise for his hosts at the Palace of Westminster

Sure touch of a statesman among dead kings

By Kevin Brown,
Chief Political Correspondent

If there is a prize for fostering Anglo-American relations, US President Bill Clinton will share it with whoever organised the seating for his presidential address to both houses of parliament in Westminster's royal gallery yesterday.

The gallery, a vast red, green and gold panorama of grinning heraldry and gilded symbolism, is an even more dramatic example of Victorian gothic enthusiasm than the splendidly over-the-top chamber of the House of Lords.

It must have looked like a poorly executed theme park to Mr Clinton, whose own house in Washington is somewhat older and in rather better taste. Like a true southern gentleman, though, he had nothing but praise for his hosts.

He had done his research, too, appropriately for a Rhodes scholar who boasts that he inhaled a great deal of the local culture (but nothing else) during his post-graduate year at Oxford University.

Starting with Sir Winston Churchill, the President paid homage to one statesman after another, running quickly through Pitt (though it wasn't clear which one), Burke, Disraeli, Gladstone, Churchill again, Milton (in verse) and Churchill yet again.

It was a sign of Mr Clinton's sure touch that he managed to mention Mr John Major in this company without bathos, landing the prime minister's courage in "taking a risk" for a permanent peace in Northern Ireland.

The president also sought to make amends for not turning up for the 50th anniversary of the end of the second world war earlier this year, recalling the sacrifices made by the wartime generation in both countries.

But there was more to come. In ringing tones clearly designed to resuscitate the moribund special relationship between the US and his hosts, Mr Clinton spoke of an alliance that stood alone and above all the rest; a model for the times and for all democracies.

It was heady stuff. But it was not the end. "Friends, we have stood together in the darkest moments of our century," he said. "Let us now resolve to stand together with the bright and shining prospect of the next century."

There were some good jokes, too, including one about the blackened marks on the exterior of the White House that mark the burning of the building by British troops during the short-lived war of 1812.

It was a reminder that the special relationship has not always been so close. The historically minded, or perhaps just the more mischievous, scanned the royal portraits and statues for the mad king who lost the American colonies.

They all seemed to be there; George I, George II, George IV were all clearly visible. But no-one could find George III.

Finally, he was tracked down, awkwardly sited in the president's direct line of vision, but carefully hidden behind a gang of photographers on a raised dais. That is what the British call *diplomacy*.

President Clinton sweeps past the Palace of Westminster where he addressed a special session of both houses of parliament

Communiqué seethes with ambiguity

By John Kampfner
at Westminster

As they gave their gloss on the 11th-hour accord on Northern Ireland, British officials stressed that it was the Irish who had made by far the most concessions.

Mr John Bruton was the one, after all, who had flown to London in the dead of night, hours before the arrival of the US president. With the endorsement of President Clinton, the Irish prime minister would be able to sell the deal to his own parliament and to force a reluctant Sinn Féin to come on board.

On one level, the theory appears borne out by the text of the turgid Downing Street communiqué launching the joint "twin-track initiative".

The strategy involves preliminary political talks involving Northern Ireland's parties and the two governments, while a three-strong international body, headed by Mr George Mitchell (a senior Clinton aide), a Canadian military figure and a Finnish politician, will look at the decommissioning of paramilitary arms.

But once minds are cast a few months forward, the picture becomes more murky for Mr John Major, the British prime minister. For all the deliberate ambiguities in the communiqué, the international body has been asked to submit a report by mid January. Neither government "is bound in advance to accept its recommendations", the text says.

Yet it seems hard to imagine that the British government could disregard any conclusion that Sinn Féin had gone some way to demonstrate democratic credentials to allow it into all-party negotiations by the end of February.

The remit of the international body does not mention the "Washington three" principle, set out by Sir Patrick Mayhew, which requires a physical transfer of weapons by the IRA before Sinn Féin is allowed into all-party talks.

This, for the British, is the bottom line. Not so, said Mr Bruton as he stood at Mr Major's side. While a handover in advance of talks "would undoubtedly be desirable", Mr Bruton said, "it is not an attainable objective".

Pressed on "Washington three", Mr Clinton was evasive. "The twin track process is a reasonable peace process and it is not for us to get into the details of the judgments that the countries and the parties will have to make," he said. Downing Street said Mr Major was "not in the least disappointed" at the president's remarks.

Virtually every word in the communiqué has been fought over. The result is a barely comprehensible hybrid. Some lines are seized on by the Irish as being the final word on a particular issue, only for the British to accentuate others.

Simple language is deemed too controversial. There is no mention of paramilitaries. Instead the body talks of "arms silenced by virtue of the welcome decisions taken last summer and autumn by those organisations that previously supported the use of arms for political purposes".

In essence, the governments, having gone almost to the brink, have merely bought time. Twin tracks was only the latest piece of diplomatic jargon to circumvent the latest obstacle in the peace process.

A mixture of unplanned street theatre and careful stage management by his officials will shape President Clinton's visit to Northern Ireland today. It will be the first by a serving president, and a powerful symbol of the changes since the ceasefires 15 months ago, *John Murray Brown writes from Belfast*.

In a province where flying a flag is a political statement, the stars and stripes will be in abundance today. The president's advisers had misgivings about holding the main political event – the reception for the province's political leaders hosted by Lady Mayhew, wife of Britain's chief Northern Ireland minister, at Queen's University, given the recent row over the decision to stop using the British national anthem at graduation ceremonies.

But the programme has been chosen to balance Protestant and Roman Catholic interest. It will be capped tonight with a public performance at Belfast City Hall by Van Morrison. The president is expected to join the Belfast-born rock star on his saxophone, perhaps in a rendition of Morrison's hit single "No religion".

Able negotiator steps up to bat

By Nancy Dunne
in Washington

Senator George Mitchell, who will chair the international commission on the handover of weapons held by the Irish Republican Army, is a relentless and able negotiator.

On Capitol Hill yesterday, a spokesman for Senator Ted Kennedy of Massachusetts said Mr Mitchell was "the perfect choice". Long active in the search for solutions in Northern Ireland, Mr Mitchell nevertheless is seen as "not carrying the baggage" of bias towards any of the combatants.

Since retiring as Senate majority leader in 1994, Mr Mitchell has been the State Department's part-time trade and investment adviser on Northern Ireland with a mandate to concentrate on economic development.

A Roman Catholic, the product of an Irish-American father and a Lebanese mother, his deliberative delivery style reportedly grew out of his father's insistence that he read aloud the week's epistle from the other side of the house.

A graduate of Georgetown University, he was a protegée of Senator Edmund Muskie, a former secretary of state.

In the Senate, Mr Mitchell succeeded in passing a number of President Clinton's initiatives in 1993. He turned down an appointment to the Supreme Court in order to shepherd health insurance reform through the US upper chamber. But neither he nor the White House could overcome conservative opposition.

Later, he said he had no regrets about giving up the Supreme Court. Besides, he really wanted to be baseball commissioner, a goal he has yet to attain.

Demand for Scots parliament rebuffed

The British government yesterday launched a long-awaited fightback against opposition Labour proposals for a Scottish parliament by announcing plans to give Scotland's 72 MPs more control over Scottish legislation, *Kevin Brown writes*.

In a Commons statement timed to upstage the formal publication today of detailed devolution proposals, Mr Michael Forsyth, the Scottish secretary, claimed the government's plans would make a devolved parliament unnecessary.

Mr Forsyth is expected to offer further concessions tonight in a speech in Glasgow. He will outline plans to devolve powers from the Scottish Office to Scotland's unitary local government system.

Mr Forsyth told MPs that the government would concede greater powers to the long-standing Scottish Grand Committee, which includes all Scottish MPs, and has the power to question Scottish Office ministers and debate uncontroversial bills.

He said the committee would sit more often in Scotland, and would have the power to question other ministers about Scottish affairs, including the prime minister and the chancellor of the exchequer.

The committee will also be given greater powers to debate bills at the second and third reading stages, when decisions of principle are taken, and to hear evidence from outsiders in a special committee stage.

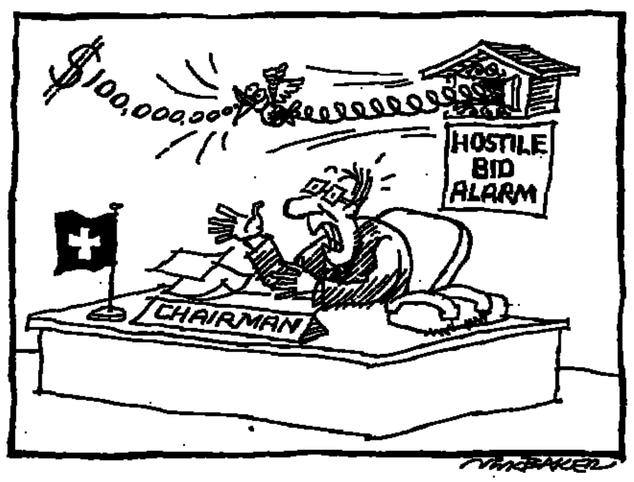
However, the government will decide which bills are referred to the committee, which has an overwhelming opposition majority, ensuring that only uncontroversial measures go through the revised procedure.

Detailed proposals for a devolved Scottish parliament, already adopted by Labour, will be published today by the cross-party Scottish Constitutional Convention, which includes Labour and Liberal Democrat representatives, but not Conservatives or Scottish nationalists.

BUSINESS AND THE LAW

With hostile intent

Contested takeover bids could become more common in Switzerland, says **Bruno Boesch**



Last summer's contested takeover battle for Holvis, the Swiss non-woven fabrics and paper distribution group, was a first for corporate Switzerland. There had been many Swiss takeovers before, but all had been agreed. The victory in June of BBA Group, the UK industrial company, therefore stirred up much debate. Would other contested bids follow? Did it signal the end of the cosy corporate restructurings of the past?

Holvis was unusual as a takeover candidate, in that there were no voting restrictions on its shares. Most Swiss public companies are controlled by a pool of shareholders, with a two- or even three-tier share capital to allow them to fend off unwanted shareholders or bidders. Alternatively, some Swiss companies impose caps on the voting power of individual shareholdings in their charters.

Shareholder pools can be broken, however, and company charters amended. A recent survey by Bank Vontobel shows 79 per cent of the Swiss stock market in free hands. The unassailability of corporate Switzerland is therefore a *bit of a self-serving myth*.

The takeover of Holvis by BBA, which stepped in as a white knight against International Paper, the US paper giant, has been described as a landmark event. It was the first time that a company – and one advised by one of the big Swiss banks, Credit Suisse First Boston – had made a public offer for a Swiss company without clearing it with the target's board. And unlike many previous Swiss takeovers, the directors of Holvis took it upon themselves to fight for shareholders' value.

Much controversy focused on a so-called lock-up agreement, whereby BBA would acquire Fibreweb, Holvis's non-woven fabrics subsidiary, even if its bid was topped. BBA made its offer conditional on this agreement, which would in effect strip Holvis of an attractive asset. BBA made this arrangement less than a week before the expiry of International Paper's bid. The US paper company claimed it brought bidding to an abrupt end.

Lock-up agreements are not dealt with by the present Swiss takeover code, introduced in 1989, which states that, within the limits of the law, the target *may adopt* "whatever defence measures it wishes". Swiss company law is also silent on lock-ups. However, it does provide that the liquidation of a company is the province of its shareholders. International Paper argued that the sale of the subsidiary by Holvis to BBA amounted to a *de facto* liquidation and that the directors of Holvis had acted beyond their powers.

Under the new Stock Exchange and Securities Trading Act, passed by the Swiss parliament a couple of months before, the sale would not have been allowed. However, the act does not come into force until the end of next year.

Takeover bids such as that for Holvis could become more common in Switzerland. Freedom and competition on the stock market have increased, thanks partly to the dismantling of a series of cartel arrangements among bankers and brokers.

The Swiss takeover code, largely inspired by the UK's, has gained recognition. Before the Holvis deal could go ahead, the takeover panel heard submissions from International Paper, Holvis, BBA and Arjo Wiggins Appleton, the Anglo-French paper group that would have bought Muhlebach, the Holvis paper distribution business, if International Paper's bid had succeeded.

As far as the lock-up was concerned, the panel ruled that it could not hear and pass judgment on International Paper's chief grievance. The panel confined itself to ensuring that shareholders were provided with all the information required. BBA's bid had therefore passed the first hurdle.

International Paper immediately applied to the Basle Court for an order restraining Holvis from honouring the agreement for the sale of the non-wovens subsidiary. But the court ruled that the lock-up was acceptable as a price for securing the 15 per cent higher offer by BBA.

Turning to International Paper's argument that the agreement amounted to liquidation of the non-wovens division, the court referred to a 1990 case in which the Swiss Supreme Court had ruled that certain decisions normally reserved for shareholders could, in exceptional circumstances, be taken by the board.

Referring to a provision in the code allowing a bidder holding 10 per cent of the target to request an extraordinary general meeting to vote on any defensive measures employed by the target, the takeover panel remarked that in most cases a board would be reluctant to maintain any measure not approved by the shareholders. International Paper had not requested a general meeting early enough.

Having lost on two fronts, International Paper threw in the towel.

This is the background against which future Swiss takeover battles will be fought, bearing in mind the new Stock Exchange and Securities Trading Act.

The takeover panel recently observed that many companies had not yet grasped the full extent of the changes introduced by the new law. Listing requirements will be tightened. The exchange and the company will have to be notified of persons acting alone or in concert whose holding exceeds or falls below various thresholds between 5 per cent and two-thirds of the company's stock.

Mandatory bids will also be introduced: any person acquiring directly, indirectly or in concert more than one-third of the voting rights of a company (other than a few other exceptions), will be obliged to make a bid for the entire company.

Companies may increase this threshold to 49 per cent, or they may exempt acquirers from the obligation to bid. Securities of companies that opt out will probably have to be listed separately.

Any person who controls more than one-third but less than 50 per cent of a company when the act comes into force will have to make a bid for the whole company if they buy additional shares taking their holding over 50 per cent.

A welcome novelty will be the right of a successful bidder to "squeeze out" remaining shareholders who together hold less than 2 per cent of the target.

Holvis may not be representative of the mainstream Swiss listed companies. However, its takeover sets a precedent which, combined with the transparency brought about by the Stock Exchange and Securities Trading Act, and together with the new Swiss electronic exchange which comes into operation next spring, represents a new capital market environment. That environment is likely to attract new investors, including institutions, which is bound to bring along fresh shareholder activism.

The Holvis takeover may herald an era of corporate restructuring by way of takeovers in Switzerland.

The author is a London-based partner of Froriep Renggli, the Swiss law firm that acted for BBA over Holvis

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Names head for clash over 'run-off' proposal

By Ralph Atkins, Insurance Correspondent

Hard-hit Lloyd's of London Names were warned yesterday that they would be even worse off if the insurance market stopped writing new business.

A grim picture of what would happen if Lloyd's went into "run-off" – servicing only claims on policies already sold – was painted by executives as part of intensifying efforts to persuade Names to back the insurance market's recovery plan. Names are individuals whose assets have traditionally supported the insurance market.

The report warned that, under "run-off", Names would face increased liabilities,

LLOYD'S
LLOYD'S OF LONDON

aggressive regulators concerned only to protect policyholders, and bills for losses that continued for decades.

It also warned that profitable insurance syndicates' assets would be hard to transfer out of Lloyd's, although agencies operating at the market could set up elsewhere using fresh capital.

Lloyd's study, written in conjunction with Freshfields, the market's legal advisers, comes as a group of lossmaking and litigating Names prepares to publish a report next week suggesting "an orderly" run-off might be a viable alternative.

The Lloyd's Names Associations' working party hopes its research will prompt debate on whether Lloyd's recovery plan is the best option. Mr Ron Sandler, chief executive of Lloyd's, said "run-off" was "not an attractive option" for Names. The Lloyd's report was being published because "Names wish to receive clearer guidance on the thinking of the council's view that the reconstruction plan represents the best route forward for the society." Lloyd's said, however, that failure of the plan would not leave "run-off" as the only alternative.

The reconstruction plan, due to be implemented next spring, includes a settlement offer worth £2.8bn ($4.34bn) to lossmaking and litigating Names. Names would also have liabilities "capped" via a giant new reinsurance company, Equitas.

Lloyd's said its ruling council had a duty to balance the interests of all Names – whether part of the ongoing market or hit by exceptional losses. It also had duties towards policyholders, and to try to shield Names by walking away from paying claims was not an option. Nor could Lloyd's ignore US court rulings on claims for asbestos related diseases and pollution damage.

If Lloyd's went into run-off, its "central fund" – used to pay claims when Names default – could no longer be used to make good Names' shortfalls. That would mean Lloyd's would fail regulators solvency tests and prevent the central fund being used to help fund the market's recovery plan. It said it would be wrong to assume that machinery for enforcing Names' obligations would collapse. Policyholders' interests would be paramount.

England soccer coach faces bar on business role

By William Lewis and Robert Shrimsley

Mr Terry Venables, coach of the England football team, has been told by the Department of Trade and Industry that it is to start proceedings to disqualify him as a company director.

It means Mr Venables is likely to facing court action in before and possibly during next summer's European Championships, which are being held in England. The tournament, for which England qualify automatically as hosts, is the largest sporting event to be held in the UK since the World Cup in 1966.

If the DTI's disqualification action is successful, Mr Venables could be barred from being a director of a limited company for up to 15 years.

The DTI has concluded, however, that there are no grounds for criminal charges against Mr Venables. "I can confirm that they are not taking proceedings against me under the Financial Services Act, which would have been criminal action," Mr Venables said. "The DTI have said they intend to pursue me for disqualification which I presume relate to technical offences," he said.

"I am not guilty and will fight this as I have fought all the other allegations that have been made against me. I do not treat this matter lightly. However, I regard disqualification proceedings as a far cry from the criminal allegations."

The DTI has sent Mr Venables a so-called "ten-day letter" which details its decision. After the expiry of the letter early next week, the DTI will start court proceedings by issuing a summons and providing supporting evidence.

Disqualification proceedings follow an 18-month investigation by DTI inspectors. The DTI's letter does not specify details of the grounds on which it is seeking to have Mr Venables disqualified. It says disqualification proceedings relate to activities at four companies – Scribes West, Edennote, Tottenham Hotspur plc and Tottenham Hotspur Football and Athletic Company.

Mr Venables said he was "dismayed that details of the disqualification decision had been leaked. A DTI enquiry is supposed to be confidential". The Football Association, which employs Mr Venables, said last night: "This does not affect his position. He is not employed as a businessman but as a football coach."

Mr Venables, who has fought a number of legal battles, believes there to be a conspiracy against him.

He said last night: "Despite all the allegations and investigations, no one has begun any criminal proceedings".

Multinationals face tax curbs

By Jim Kelly, Accountancy Correspondent

BUDGET 95

The UK tax authorities gained important new powers in the Budget to tackle tax avoidance by multinational companies. The crackdown was criticised by tax experts who said that Customs and Excise in particular had won sweeping new powers over large companies.

Customs were given powers to tackle avoidance of value added tax which occurs when companies operate in groups for tax purposes. "VAT groups" can manipulate transactions and avoid paying tax by altering their structure.

Customs officers say abuse has become a "serious problem" in recent years.

However the practice can be perfectly legitimate, and saves UK business an estimated £400m ($620) in accounting costs because services and goods supplied within the group can be ignored for tax purposes. Mr George Michie, partner with KPMG, said: "These powers are retrospective – this to me is astonishing. For a period up to six years after the event they will be able to say that a transaction did not happen the way a company said it did."

Tax experts complain that as well as being retrospective – an extension of the authorities' powers – the new rules rely on a subtle definition of the difference between tax avoidance and legitimate financial tax planning.

Separately, multinational companies face a crackdown from the Inland Revenue over the way they allocate profits between the countries in which they operate and the taxation of profits from subsidiaries outside the UK. "The Revenue is putting more and more pressure on the major multinationals to bring more profits into charge in the UK," said Mr Graeme Cottam, international tax partner with Price Waterhouse.

"Results in the Revenue's report show how valuable this kind of compliance is to the exchequer," said the Revenue. The new tax regime for "controlled foreign companies" means that present tax benefits will be cut. Such subsidiaries will now be brought more in line with UK resident companies.

"Captive" insurers face significant higher tax bills which could reduce the attraction of such self-insurance schemes. Such insurers are set up in low-tax countries by companies of all kinds to provide dedicated insurance cover. Corporate insurance risk managers and advisers were yesterday assessing the impact of a little-noticed feature of Tuesday's Budget on the taxation of controlled non-UK companies in low-tax countries.

The change will require that 90 per cent, rather than 50 per cent, of a captive insurers' profits in low-tax locations will have to be distributed – and therefore become liable for tax under British rules. Moreover, the basis on which profits will be determined will be brought into line with British tax law. That would make it harder to keep declared profits lower by building reserves for unspecified purposes. "The benefit of having an offshore tax location is being very substantially affected," said one insurance risk manager.

Growth 'not dependent on rates cut'

Mr Kenneth Clarke, chancellor of the exchequer, said yesterday that his Budget forecast for economic growth next year did not depend on an early cut in interest rates, our Economics Editor writes. "The one thing I am not going to do is start playing fast and loose with interest rates in response to political pressures", the chancellor insisted. He added that his tax cuts would help boost consumer demand, but that it would have strengthened anyway even if he had done nothing. But Mr Clarke's assertion did nothing to shake the conviction of the financial markets that lower base rates are on the way. Many analysts expect them to fall from their current level of 6.75 per cent after the chancellor meets Mr Eddie George, governor of the Bank of England (the UK central bank), on December 13.

The pound dropped sharply yesterday as the foreign exchanges factored in a likely base rate cut. Against a trade weighted basket of currencies it fell to match its previous record low at 82.2 per cent of its 1990 value before regaining some lost ground later in the day. Sterling at one stage hit a 15-month low against the dollar.

Mr Clarke said he believed his measures should give people confidence in fiscal and monetary policy, and that should be reflected in the markets: "But I leave the markets to make their own decisions". The short-sterling futures market, in which traders bet on interest rate levels, points to a cut in base rates of between ½ and ¾ of a percentage point by March.

Several of Britain's largest mortgage lenders, meanwhile, offered homeowners a down-payment on the expected base rate cut by reducing their mortgage rates by up to two-fifths of a percentage point.

"The current trend for interest rates is downward," said Mr Mike Blackburn, chief executive of Halifax building society, which led the move.

UK NEWS DIGEST

BMW creates motor sport unit

BMW has formed a British subsidiary to operate many of its motor sport activities. BMW Motorsport will be based initially at BMW's British headquarters at Bracknell to the west of London. Its first goal will be to recapture of the British Touring Car Championship last won by BMW in 1993. It will also develop BMW's partnership with the nearby McLaren motor racing concern, whose Le Mans 24-hour race-winning sports cars are powered by V12 BMW engines. The new subsidiary is also expected eventually to take BMW back into grand prix racing after a long absence. "The UK is acknowledged to be the hub of the world motor sport industry," said BMW.
John Griffiths, Industrial Staff

German group to sell offshoot

Silent Power, a company developing a battery capable of powering a car, has been put up for sale by its German owners. The company has 115 employees and has been based at Runcorn in north-west England for 20 years. Its battery has given a prototype electric-powered VW Golf a 150km range and a top speed of 130kph. RWE Energie of Essen, which bought Silent Power from Chloride Group of the UK when the latter quit battery manufacture in 1992, is shedding non-core businesses. RWE is believed to have spent more than £10m ($1.6m) on the purchase of Silent Power and subsequent investment. However, Silent Power is unlikely to be profitable until about 2004 because of a lack of immediate pressure to change environmental laws. "The market will develop first in California, where pressure for tighter environmental regulation is strongest," said Mr Wynn Jones, Silent Power's managing director.
Ian Hamilton Fazey, Manchester

Cunard and agency criticised

Cunard and the British government's Marine Safety Agency were both criticised yesterday in an official report into the disastrous voyage of the Queen Elizabeth 2 cruise liner from Southampton to New York last Christmas. The QE2 sailed before work had been completed on a refit, prompting complaints from passengers. The ship was prevented from leaving New York for a while by the US Coastguard which found safety violations.

The report by the Marine Safety Agency disclosed "serious deficiencies in the shore and ship management of the vessel by Cunard" but also acknowledged that the agency's own procedures were too lax. Lord Goschen, shipping minister, said the agency was meeting Cunard about avoiding such problems and adherence to the international safety management code.
Charles Batchelor, Transport Correspondent

Finance for nuclear clean-up

An independent trust fund will be set up to finance the clean-up of nuclear power station sites after privatisation next year. Mr Tim Eggar, energy minister, told the House of Commons industry committee that the fund would be independent of British Energy, the nuclear company which is being privatised, to ensure that money would be available to meet decommissioning costs. He stressed that the government intended to go ahead with the sale in the middle of next summer. The decommissioning liabilities of British Energy have been estimated at around £6bn ($9.3bn). But this includes the cost of disposing of spent fuel, which will not be covered by the new fund. Mr Eggar said that no equivalent fund would be set up for Magnox Electric, the company which will remain in the public sector to manage Britain's older nuclear power stations.
David Lascelles, Resources Editor

TECHNOLOGY

Clive Cookson looks at the advantages of transdermal patches, in a series on drug delivery

Getting under the skin

The latest guise of transdermal drug delivery could hardly be less obtrusive. A sticky transparent disk, no wider than a large coin and as thin as paper, can deliver a week's medication gradually through the skin.

In the new generation of ultra-thin patches, the active drug is dispersed within an adhesive polymer. This is sandwiched between a protective top film and a backing film in contact with the skin.

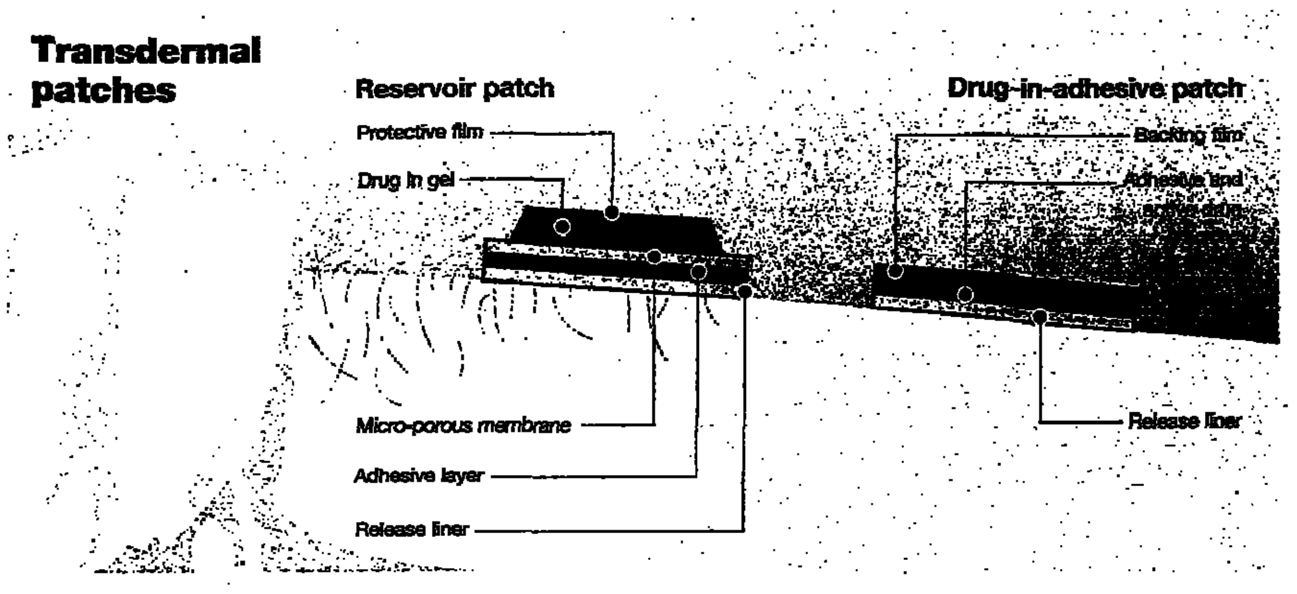
The technology is an extraordinary advance on the first transdermal patches, introduced in the 1980s, which released the drug from a reservoir of liquid or gel.

"We have come a long way from the crude 'jelly in a bag' patches, which looked like a fried egg on the skin," says Geoffrey Guy, chief executive of Ethical Holdings, a leading UK drug delivery company. "The basic structure of the new patches, in which the drug is dissolved in the adhesive, could hardly be simpler."

According to Guy, progress in skin patches over the next five to 10 years will involve "fine tuning" the structure and finding better ways of loading the drug into the adhesive. More important, many more drugs will be reformulated for delivery through the skin.

Transdermal technology offers several advantages over other delivery systems:

- Because the drug passes directly through the skin into the bloodstream, it is suitable for compounds that would be destroyed by digestive enzymes if taken by mouth.
- The drug is released slowly over a period that may last for anything between a day and a week. This gives a steadier level in the body than conventional oral formulations or injections, which lead to peaks and troughs – and a greater risk of side-effects.
- Patients are more likely to persist with their medication if they can apply an unobtrusive patch every few days rather than having to swallow tablets, let alone having an injection.



The most obvious drawback is that patches sometimes induce allergic reactions, irritation and sensitisation of the skin – either from the drug itself or from the other ingredients such as adhesive. "We are all working to reduce those reactions," says George Bamopoulos, R&D director of Lavipharm, a Greek pharmaceutical group concentrating on drug delivery research.

The growth of the transdermal drug market to its estimated value of \$2.5bn (£1.6bn) this year has been driven by three main types of product: nicotine patches for people trying to stop smoking; hormones for post-menopausal women; and nitroglycerine for heart patients.

Its projected growth over the next five years – estimates suggest that transdermal sales will exceed \$5bn in 2000 – will rely on a wider range of drugs.

For example, Geoffrey Guy sees a large market developing in strong analgesic transdermals for relief from severe pain. One such product, a patch containing the opioid drug fentanyl, is already available; it was developed by Alza of the US in collaboration with Janssen, the Belgian subsidiary of Johnson & Johnson. Other companies, including Ethical Holdings, are developing pain-killing patches.

Ethical is also about to start clinical tests of a patch designed to prevent asthma attacks. "Our notion is to give background protection against asthma by reducing hypersensitivity with a patch applied once a week," Guy says. "We also have plans to start development of one or two other products in the area of multiple sclerosis and arthritis."

A young US company specialising in transdermal drugs, Sano, went public this month, raising \$28m on the strength of an R&D portfolio that includes nine proprietary and six generic products.

Sano is testing three patches incorporating buspirone, a drug manufactured by Bristol-Myers Squibb in tablet form to treat anxiety. The patches are intended to treat not only anxiety but also depression and attention deficit disorder (childhood hyperactivity).

The Florida-based company is also testing a novel anti-smoking patch with two active ingredients: nicotine and mecamylamine, a chemical that blocks some of nicotine's effects. Early results from Sano's clinical trials support the theory that nicotine and mecamylamine work together to reduce the craving for cigarettes more effectively than nicotine-only patches.

The transdermal market has attracted a diverse mixture of companies, from biotech start-ups to giants in the pharmaceutical and medical materials fields.

3M, the Minnesota-based materials science company, used its background in adhesives (Scotch tape and Post-It notes) to pioneer some of the technology used in skin patches. Its latest development is the Cydot "transmucosal" patch, designed to deliver drugs through the thin mucosal membranes of the gum behind the upper lip. This pill-sized patch uses a new bio-adhesive which sticks all day to the moist, slippery gum surface, without causing irritation.

Because the mucosa are more permeable than skin on *the outside of the body, Cydot* can deliver molecules that are too large to incorporate successfully in transdermal patches. It also can also get drugs more quickly into the bloodstream.

3M has carried out clinical trials with three different molecules. Most interesting is melatonin, the sleep hormone that is secreted naturally by the pineal gland in the brain during the night.

A trial showed that Cydot could mimic closely the body's circadian cycle of melatonin production. A gum patch applied at bedtime delivers melatonin very quickly to the bloodstream and maintains high levels in the night; the hormone level falls back virtually to zero when the patch is removed next morning.

A transdermal patch, in contrast, gives a very slow onset and equally slow decline in blood melatonin. And melatonin tablets, which are becoming popular as sleeping pills and antidotes to jet lag, produce an immediate surge of hormone which may not last long enough for a full night's sleep. 3M is now negotiating with a number of pharmaceutical companies to apply the technology.

Another approach is to use a *small electric* current to help deliver drugs from a transdermal patch. The current makes the skin more permeable and at the same time drives drug molecules through it.

Electrical patches are inevitably more bulky and expensive than simple drug-in-adhesive patches. In addition to the drug reservoir, they require a tiny battery, two electrodes in contact with the skin and a microprocessor. But several companies, including Becton Dickinson, Cygnus, Elan, Genetronics and Alza, are working on the technology.

One advantage is that electrical patches could deliver large molecules such as proteins which would not otherwise pass through the skin. Another is that the microprocessor could give the patient some control over the dosage – this might be useful when administering pain-killers.

Instead of electricity, ultrasound can push proteins through the skin. Robert Langer and colleagues at the Massachusetts Institute of Technology reported this summer that bursts of low-frequency ultrasound made the skin permeable to insulin, interferon and erythropoietin. They made use of an effect called cavitation. The low-frequency ultrasound produces minute air bubbles in the fatty lipid layers between skin cells – opening up channels through which unexpectedly large molecules can pass.

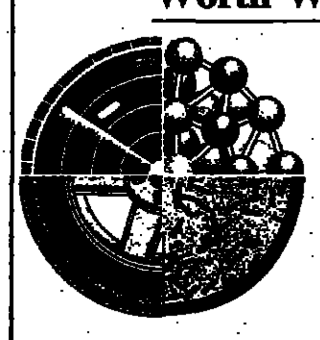
The long-term dream of many researchers is to link electrical or ultrasound patches to electronic sensors, producing an "intelligent patch" that would adjust its drug delivery rate automatically according to the patient's need.

For example, Cygnus, a Californian drug delivery company, is developing products that use electricity to move molecules through the skin in both directions. They want not only to drive drugs into the bloodstream but *also to do the* reverse – extract biological products from the patient for monitoring on the skin.

Cygnus is testing a prototype GlucoWatch, worn like a wristwatch, to enable diabetics to monitor glucose levels painlessly, without having to prick their fingers to extract a drop of blood. It draws glucose up through the skin into a transdermal patch, where the level is measured and displayed on the GlucoWatch.

The series looked at oral drug delivery in September and inhaled drugs last month. Next month the Technology Page will introduce a series on human genetics.

Worth Watching · Vanessa Houlder



Mass production for superior chips

Chips made from gallium arsenide have some significant advantages over silicon chips. Their uptake has been held back by the complexity of the manufacturing process, but the development of a fully automatic mass production system developed in Germany could change that.

The Fraunhofer Institute for Applied Solid State Physics has constructed a machine that can coat more than 200 single wafers without interruption. The system is faster than previous models, has reduced the chance of contamination and needs maintenance after four to six weeks, rather than weekly. Aixtron in Aachen and Thomas-Swan, a UK manufacturer have acquired a licence to duplicate and market the reactor.

Fraunhofer Institute for Applied Solid State Physics: Germany, tel 7615159344; fax 7615159400.

On-screen eye testing

City University in London has devised a computer program capable of performing eye tests on users of personal computers. The advantage of using the display screen to present the tests is that the results give direct information about how eyes are performing under normal VDU viewing conditions. The tests pick up features such as visual acuity, muscle balance and eye co-ordination.

City Visual Systems is also developing a computerised vision screener for school children and a screening system for drivers.

City Visual Systems: UK, tel (0)181 5590800; fax (0)181 4916160.

Taste, smell and flavour

The experience of flavour draws on both taste and smell. Yet the brain processes and stores its experience of flavours in a separate part of the brain to where it processes taste and smell.

Researchers from the Weizmann Institute and the American University in Washington believe they have identified the site where nerve signals conveying taste and smell converge in a rat's brain. This is the brain's frontal lobe, which is different from the areas handling the two components of flavour.

The scientists think their findings may be of potential interest to specialists trying to treat appetite disorders and to food manufacturers.

Weizmann Institute of Science: Israel, tel 8342111; fax 8344132.

Look ahead at traffic signs

Researchers at Daimler-Benz have developed a traffic sign recognition system, which will warn drivers of restrictions ahead, such as No Entry or No Overtaking, *writes Sheila Jones*. The system uses on-board video cameras linked to image processing computers that can distinguish between restrictive and information signs.

The company says it will be some years before the product is available commercially. The project is part of the European Union Prometheus research programme.

Daimler-Benz, Epplestrasse 225, D-70546, Stuttgart-Möhringen, Germany; tel (49) 71117 93307.

Japanese bets on the Internet

SSP International Sports Betting, a UK-based bookmaker, hopes to increase its Japanese client base – a meagre 4,000 – by accepting bets through the Internet, *writes Emiko Terazono*. The Internet site specifically for the Japanese market offers at present odds on Japanese sporting events such as sumo wrestling and professional soccer. Currently, SSP accepts bets from overseas clients by telephone and facsimile. It also takes bets on Japanese horse racing that are not offered by the Japan Racing Association.

Japanese law bans betting services by private operators, but SSP believes that the new service via the Internet will not be illegal.

SSP, which offers odds on most international sporting events to some 400,000 clients worldwide, plans to expand the Internet service to other international clients, offering interactive sports betting on-line on its site in 15 languages.

SSP International: UK, tel (0) 171 359 5330UK; Internet address: http//www.ssp.co.uk.

CONTRACTS & TENDERS

GOVERNMENT OF THE STATE OF CEARÁ
URBAN DEVELOPMENT AND THE ENVIRONMENT AGENCY
CENTRAL TENDER COMMITEE
CALL FOR TENDERS

PUBLIC INTERNATIONAL TENDER # 066/95

The Central Tender Committee, named by the Urban Development and Environment Agency of the State of Ceará, invites brazillian and companies of foreign countries considered members of the Inter-American Development Bank to take part in the International Public Tender # 066/95. This Tender has per object the contraction of work and services referring to the basic sanitation infra-structure of Fortaleza, Ceará, Brazil. The works and services of the above mentioned Tender are the following:

Lot	Description	Duration (Running Days)
01	Construction of Sub-basin K2 - 82,0 Km of sewage net and 11.869 housing connections. Construction of Sub-basin SD3 - 28,4 Km of sewage lines and 4.299 housing connections. Construction of Sub-basins C3.4, C3.5, C3.6, C4, C5, C6 - 10,27 Km of draining with related construction works and other 18,88 Km of draining.	510
02	Construction of Sub-basins SD4, SD5 - 120,5 Km of sewage net and 16.776 housing connections. Construction of Sub-basins A2, A2.3, A2.4, C3.3 - 0,80 Km of draining with related construction works with and other 12,0 Km of draining.	510
03	Construction of Sub-basin SD1 - 40,4 Km of sewage net and 11.869 housing connections. Construction of Sub-basins SD6, SD9 - 59,5 Km of sewage net and 4.299 housing connections. Construction of Sub-basins CB.2.2, CB.2.3, CB.3.1, CB.3.2 - Execution of 1,83 Km of draining, recovering of 7,37 Km of existing draining with related construction works and other 3,10 Km of draining.	510

Part of the financial resources will come from the Basic Infra-structure Sanitation Programme of Fortaleza that has been negociated by the Government of the State of Ceará and The Inter-American Development Bank - IDB. The Contracts must be submitted to the financing contracts # 695/OC-BR and # 892/SF-BR closed wit IDB on December 9th, 1992. The tender requirements and price bids are to be delivered (on January 18th, 1996, at 16:00 hours at Rua Silva Paulet, 324, Aldeota - Fortaleza, Ceará, Brazil, in two sealed envelopes containing: Envelope "A": pre-qualification documents and Envelope "B": price bid.
The pre-qualification documents can be obtained from November 30th, 1995 to January 15th, 1996, at the Head Office of the Urban Development and Environment Agency of the Estate of Ceará, at the Governor Virgílio Távora Administrative Center - Cambeba - Fortaleza, Ceará, Brazil. These documents are available for a non-refundable fee of R\$ 200.

Fortaleza, November 30th, 1995.
The Committee

هكذا من الأصل

ARTS

IN THE BLEAK MIDWINTER
Kenneth Branagh

THE SANTA CLAUSE
John Pasquin

ELISA
Jean Becker

MURDER IN THE FIRST
Marc Rocco

SISTER MY SISTER
Nancy Meckler

CANDYMAN 2: FAREWELL TO THE FLESH
Bill Condon

Well-intended chaos: Richard Briers and John Sessions get out the greasepaint in Kenneth Branagh's new film, 'In The Bleak Midwinter'

Cinema

A right carry on over Hamlet

Let's put the show on right here! went the cry in a dozen Hollywood musicals. A band of carefree amateurs, played by ruthlessly drilled professionals (Garland, Rooney, Durbin and Co) took over schools, barns or gyms to kick their legs and strum their larynxes. Usually, too, there was a good cause. They wanted to save the school, barn or gym from passing bailiffs or axemen.

Who says the cinema does not go round in circles? The show in Kenneth Branagh's amiable, energetic *In The Bleak Midwinter* is *Hamlet* and the cast of amateurs assembled by our hero, tousled actor-director Michael Maloney, hope that profits will – yes – save the development-threatened rural church where they are putting it on.

We start as if the film is taking a course of cynicism injections to protect against luvviedom. Black-and-white photography; wintry skies; and Noel Coward singing "Why must the show go on?" over the titles. But what price inoculations if you have the disease already? No enterprise could be wholly un-luvvie-ish that has Branagh behind the camera and most or all of his mates in front.

Richard Briers is Claudius, John Sessions in drag is Gertrude, Jennifer Saunders plays a visiting Hollywood producer – toying with her cigarette like Cleopatra with her asp – and Joan Collins swishes through very nicely as a venal agent.

Meanwhile Branagh himself all but ventriloquises the main role. Moloney's hero is the stage director as overgrown schoolboy, prancing, forehead-clutching and brainstorming his way through ingenuities of interpretation when not listening to those of others. "*Hamlet* is Bosnia, sex, biology . . ." burbles one actor to the bemused company. On the night, though, this *Hamlet* ends up a well-intended chaos: lost more in swathes of stage mist than obscurities of interpretation.

The film is a chaos too, but an endearing one. The wit level is early Carry On – "I hope I can keep it up," "I beg your pardon?" – and Branagh has hardly strained after subtlety in the symbolism. The village is called Hope. But this jejune transparency is rather refreshing after the over-reachings of *Frankenstein*, and bathos can be a likable comic style. When Moloney misses out on his promised chance of a Hollywood contract – Saunders dumps him and takes his second lead instead – we sense Branagh playfully mocking his own bruises as a showbiz wonderboy fallen from high places.

The Santa Clause is an advance weather flurry before Christmas. We may be snowed on more heavily later, but we can begin right now to get used to underfoot sentimental slushiness. Tim Allen plays the father who inherits Santa-duties after finding a note on a dying Father Christmas. "Put on my suit, the reindeer will know what to do." Allen grows a magical beard and paunch. Then before you can say "Computer graphics skyscape", he and his children are riding through the starry night to the North Pole.

Back on Earth there follow vain attempts to dismiss fact as fantasy. "We did not go to the North Pole" says Allen. "You're in denial, Dad," say the children trained in psychobabble. And our hero also has troubled encounters with law and folklore. Cops arrest him when he conscientiously resumes his Santa guise; and he must cope with ever-eerier creatures from the other dimension ("We're your worst nightmare – elves with attitude.")

It passes a passable 100 minutes. But do make sure your children are armed with schmaltz-detectors for the stickier passages of Yuletide family bonding.

Nigel Andrews

There are two different tales being told in Jean Becker's *Elisa*: the first, a slightly sweetened trawl around Parisian low-life, is reasonably effective. Vanessa Paradis plays Marie, a teenager who has learnt to live on the streets ever since her mother committed suicide when she was three. She teams up with a couple of chums, Clothilde Coureau's Solange and Sekkou Sall's Ahmed, and the three of them, low on self-esteem but adroit at the latest franc-filching scams, cause various types of havoc, especially when they choose to target the hypocritical rituals of the *petite-bourgeoisie*.

But underlying the apparently carefree naughtiness is Marie's mission: to track down and take revenge upon her father, Jacques (Gerard Depardieu) for abandoning her mother all those years ago. And once she finds him, bloated and belching obscenities in a seaside bar, the film takes a portentous, and rather tedious, turn. There are hints of an eroticism that dares not speak its name, a simplistic message that all we need is love, and a massively unconvincing final redemptive embrace. Paradis pouts and struts with telling effect, but, crucially, one loses touch with what is happening in her head long before the end.

Not many punches are pulled in the gruesome opening scenes of *Murder In The First*, Marc Rocco's worthy adaptation of a true story: Henri Young (Kevin Bacon) is forced to suffer solitary confinement for more than three years after being caught attempting to escape Alcatraz. On release, he stabs the fellow convict who stitched him up – a clear case of first degree murder.

But the case captures the imagination of young attorney James Stamphill (Christian Slater) who, in his defence of Young, exposes the horrific conditions at America's best-loved penal institution. Prisoner and lawyer form an unlikely bond, and the trial forces a long-overdue reform of prison conditions. Slater and Gary Oldman, playing (just for a change) a psychotic-on-the-edge warden, provide solid support to Bacon's *tour-de-force* performance, but there is just a touch too much sentimentality in the final courtroom scenes, impressively directed by Rocco, to lift the film into a higher gear.

Nancy Meckler's *Sister My Sister*, based on the true story which also inspired Jean Genet's *The Maids*, is the kind of film which thinks nothing of zooming in on a tap dripping to denote the passage of time. It then focuses on the surface on which the drips are dripping just to press home the point. It is a slow film; yet there is a well-controlled build-up in tension as the sisters, excellently played by Joely Richardson and Jodhi May, retreat into a private world of claustrophobic eroticism before letting rip, literally, on the well-fed bodies of their employers.

Julie Walters just about steals the film with a memorably monstrous portrayal of Madame Danzard while Sophie Thursfield is also highly effective as her daughter Isabelle.

Candyman 2: Farewell To The Flesh is a truly dreadful follow-up to the mildly diverting original version of Clive Barker's horror story. Daniel Robitaille (Tony Todd), the son of a slave in the 1890s, was set upon by a racist mob for cavorting with a white landowner's daughter. Now his ghost comes back to New Orleans every time he is called (by somebody reciting his name five times into a mirror), and rips people apart with his hook-hand. The NOPD are puzzled, until they see video evidence of a man having his guts torn out in mid-air. A pretty local schoolteacher (Kelly Rowan) feels sorry for him, but still breaks the mirror which contains his soul. There is a storm, and everyone feels guilty about slavery. Welcome, and I hope farewell, to a ghastly new genre: politically correct schlock-horror.

Peter Aspden

Recitals

Individual vocal talent

Two recitals by young singers at the Wigmore Hall in recent days have brought reminder that in spite of repeated evidence to the contrary, vocal talent of real individuality is emerging. Both the Swedish-born mezzo Katarina Karnéus and German bass Franz Hawlata proved themselves exciting, communicative artists capable of projecting texts.

In Hawlata's case, some of the drama in his all-Schubert programme was misplaced. Only in his early 30s, he is possessed of a remarkably rounded bass, and at his best – he was a fine Baron Ochs in Welsh National Opera's *Rosenkavalier* last year – he uses it with an athletic lightness. It made a welcome change to hear a bass in Schubert, though his was seldom soft-grained enough, and more than a little incongruous in Gretchen's quiet song "Der König in Thule". Sacrificing beauty of tone for dramatic effect is one thing, accuracy of pitch another.

Hawlata's programme was interesting, indeed rather specialised: it consisted entirely of ballads – settings of narrative poems – and included some rarities. Pieces like "Der Sänger" and "Amphiaraos" sound like proto-operatic scenes and are not top-drawer Schubert. In contrast, "Die Bürgschaft", based on Schiller's version of the story of Dionysus and Moros, is an extraordinary work of about 15 minutes duration, and Hawlata coloured every line of his taxing part effectively. Helmut Deutsch was admirable in the planistic scene-painting, but thumped his way unmercilessly through "Die Erlkönig" at the end of the evening. Hawlata was no less unsubtle here, and, preferring not to hear Schubert sound like Wotan confronting Boris Godunov, I fled before the threatened encore could bring more of the same.

Three days earlier in front of a packed house, Karnéus gave a very appealing recital in Radio 3's "Voices at Wigmore Hall" series (due to be broadcast on December 6) in partnership with the pianist Iain Burnside. She is this year's Cardiff Singer of the World – is there a less sensibly named vocal competition? – but a serious artist nevertheless. Her pliant, rich-toned mezzo should make her a good Carmen in Paris next year.

As if in preparation, Karnéus sang French and Spanish music with idiomatic flair, caressing the lines in her opening set of Fauré songs; only "Notre amour" needed more focused phrasing. She disclosed sunny tone at the top and a dusky lower range in Bizet's "Les adieux de l'hôtesse arabe", which with its images of heat and dust evokes the composer's masterpiece. She brought the right surrealist touch to her Poulenc selection.

Best of all were Karnéus's Granados numbers, two of them light and teasing, "La maja dolorosa" full of grief. Her Falla and Montsalvatge encores were richly deserved.

John Allison

Theatre//Alastair Macaulay

A hollow ring to 'Break of Day'

Intensely "now" and intensely artificial at one and the same time, Timberlake Wertenbaker's new play *The Break of Day* (now presented by Max Stafford-Clarks's Out of Joint Theatre Company at the Royal Court), is a bizarre experience. You listen to all its talk of modern women, Eastern Europe, New Labour, adopting babies from abroad, the theatre today, the closure of old hospitals, teaching classics in modern universities, test-tube babies . . . and yet the play is as alien as if it came from Mars.

The Break of Day – v. post-modern – mixes high culture and low culture, humour and intellectual discourse, the past and the present, into a carefully ironic soup. In particular, it is planned as a modern counterpart to Chekhov's *The Three Sisters*, which the Out of Joint Co. is also currently presenting (though not at the Royal Court, where the Cusacks gave it only in 1990).

But Wertenbaker's writing is at its least convincing whenever she drags in poor Chekhov. Like everything else in her play, *The Three Sisters* becomes a mere literary device.

Act One depicts the 40th birthday of one of the characters, Tess. As it happens, I too have celebrated my 40th birthday this year; I too invited friends who included an editor, an actor, a pregnant woman, a singer, a classics don, a 40-year-old woman hoping for a child, feminists, New Labour supporters; but not for a second does Wertenbaker's gathering ring a bell. Perhaps that is because my *dramatis personae* omitted a Bosnian maid of Sapphic tendencies.

It also omitted speeches such as "I felt so powerful. There you were, an all-female band, and I was the only woman reporter on a rock magazine. Women were exploding everywhere, with their anger, hunger, confidence, all those possibilities. We talked all night, you must remember . . ." Which is spoken, by the magazine editor, in the first minute of the play.

Almost every sustained speech in the play is a candidate for Pseuds' Corner and/or Wimmin. (Two minutes in, Nina says: "Tess is raking up the past – how we stood in front of life with all those possibilities – not because we were young but because it was that moment. I don't feel powerful at all, is that because of this moment? But since you only see with the eyes given to you by the moment you live in, how can you fight it? Who'll give you the map showing you the passage out?") Alas, the rapid dialogue between characters is worse.

And *The Break of Day* rings equally hollow in Act Two and the five-minute Act Three: in which Tess alienates Robert in her desperate quest to have a baby of her own, Nina and Hugh spend ages in eastern Europe trying to adopt a baby, and poor April – who carries on working – is shelved until the last minute. Wertenbaker is not without theatrical talent – she can often redeem a situation with humour, and her situations certainly have variety – but everything in this play reeks of contrivance.

A more highly stylised form of acting from all concerned might possibly make some kind of virtue of Wertenbaker's artificial writing; but probably not. And, however these lines and characters are played, it would surely be impossible to give very good performances of them. Stafford-Clark has his actors using a more or less naturalistic method, erring into shabby caricature with the Eastern European characters. I want to applaud the way that well-known actresses like Maria Friedman (Nina) and Anita Dobson (April) try to extend their range by tackling plays like this; in the event, however, the play does not return the compliment. Both look limited; Dobson's pacing is especially leaden. Catherine Russell plays Tess in an unvarying mood of unhappy tension, Nigel Terry is more stagey and artificial than the role of the actor Robert calls for . . . and so on. The middle-aged-trendy songs are by Jeremy Sams. Nobody comes well out of this production.

At the Royal Court, London SW1.

INTERNATIONAL
ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Hanover Band: with conductor and harpsichord-player Nicholas McGegan, sopranino flutist Rachel Brown, oboist Frank de Bruine and violinist Benjamin Hudson perform works by Vivaldi, Bach, Boyce and Handel; 8.15pm; Dec 2

■ BERLIN

DANCE
Staatsoper unter den Linden
Tel: 49-30-2082861
● The Nutcracker: a choreography by Wainonen/Schatilow to music by Tchaikovsky. Conducted by Sebastian Weigle and performed by the Ballett unter den Linden; 8pm; Dec 1, 2 (7pm), 3 (3.30pm), 6 (6pm)

■ COLOGNE

OPERA & OPERETTA
Opernhaus Tel: 49-221-2218240
● Die Zauberflöte: by Mozart. Conducted by Georg Fischer and performed by the Oper Köln. Soloists include Amanda Halgrimson, Nina Stemme, Rainer Trost, Reinhard Dorn and Franz-Josef Selig; 7.30pm; Dec 2

■ DUBLIN

CONCERT
National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711533
● Vanbrugh String Quartet: 10th Anniversary Celebration concert with works by Beethoven, performed by violinists Gregory Ellis and Elizabeth Charleston, viola-player Simon Aspell and cellist Christopher Marwood; 3.15pm; Dec 3

■ DUSSELDORF

THEATRE
Düsseldorfer Schauspielhaus
Tel: 49-211-36870
● Das Kryptogramm: by Mamet. Directed by Detlef Altenbeck and performed by the Düsseldorfer Schauspiel. The cast includes Michaela Steiger, Ilja Richter and David Kosock; 7.30pm; Dec 1

■ FRANKFURT

THEATRE
Schauspielhaus
Tel: 49-69-21237444
● Der Besuch der alten Dame: by Dürrenmatt. Directed by Thomas Schulte-Michels and performed by Schauspiel Frankfurt. The cast includes Eva Gosciejewicz and Peter Lerchbaumer; 7.30pm; Dec 1, 2

■ GOTHENBURG

OPERA & OPERETTA
Göteborgs Operan
Tel: 46-31-108000
● Jenufa: by Janácek. Conducted by Ulf Söderblom, directed by David Radok and performed by Göteborgs Operan; 6pm; Dec 2

■ HELSINKI

CONCERT
Finlandia-talo - Finlandia Hall
Tel: 358-0-40241
● Three Finnish Basses: Matti Salminen, Jaakko Ryhänen and Johann Tilli, with conductor Leif Segerstam and the Helsinki Filharmonia, perform arias from well-known operas; 8pm; Dec 5
DANCE
Opera House Tel: 358-0-403021
● The Nutcracker: by Tchaikovsky. Performed by the Finnish National Ballet in a choreography by Rudolf Nureyev after Petipa; 7pm; Dec 1, 5

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● Messiah: by Handel. Performed by the English Chamber Orchestra and the Goldsmith's Choral Union with conductor Brian Wright, soprano Ruth Holton, mezzo-soprano Catherine Denley, tenor Richard Edgar-Wilson and bass Jozik Koc; 7.30pm; Dec 6
Royal Festival Hall
Tel: 44-171-9604242
● Scheherazade: the Philharmonia Orchestra with conductor Yevgeny Svetlanov and violinist Vladimir Spivakov perform Balakirev's "Islamey", Tchaikovsky's "Violin Concerto" and Mussorgsky/Ravel's "Pictures at an Exhibition" in the Russian Series; 7.30pm; Dec 2
St. John's, Smith Square
Tel: 44-171-2221061
● Choros Georgian Camerata: with conductor Janet Lincé, soprano Elizabeth Gale, tenor Vernon John Kirk, countertenor Andrew Watts and baritone Richard Jackson perform Mozart's "Symphony No.29" and "Exultate Jubilate", and Bach's "Cantata No.52" and "Magnificat"; 7.30pm; Dec 1
St. Martin-in-the-Fields
Tel: 44-171-8398362
● Joseph Spooner and Dominic Harlan: the cellist and pianist perform works by Balakirev and Rachmaninov; 1.05pm; Dec 1
Wigmore Hall Tel: 44-171-9352141
● Konstantin Lifschitz: first London recital by the Russian pianist, who will perform works by Brahms, Couperin and Rachmaninov; 7.30pm; Dec 1
EXHIBITION
Spink & Son Tel: 44-171-9307888
● The Botanical Garden by Gillian Barlow: 50 watercolours of garden plants, painted by Barlow, in Spink's annual Christmas Exhibition; from Dec 1 to Dec 22
OPERA & OPERETTA
Royal Opera House - Covent Garden Tel: 44-171-2401200
● Fedora: by Giordano. Conducted by Edward Downes and performed by the Royal Opera. Soloists include Maria Guleghina, Rosemary Joshua, José Cura and Maria Jagusz; 7.30pm; Dec 2

■ LYON

OPERA & OPERETTA
Opéra de Lyon Tel: 33-72 00 45 45
● L'Elisir d'Amore: by Donizetti. Conducted by Donato Renzetti and performed by the Opéra de Lyon. Soloists include Leontina Vaduva, Roberto Alagna and Gabriel Bacquier; 8.30pm; Dec 1, 3 (5pm)

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Brandenburg Concertos: by J.S. Bach. Performed by the Orpheus Chamber Orchestra; 7pm; Dec 4
The Walter Reade Theater
Tel: 1-212-875-5050
● Norman Krieger: the pianist performs works by Beethoven, Debussy and Prokofiev; 11am; Dec 3
EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● Country Beside Itself: Lars Tunbjork: the Swedish photographer explores commercialism and organised leisure in Sweden; from Dec 1 to Feb 11
JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● James Moody Quartet and Joshua Redman Quartet: featuring Mulgrew Miller, Todd Coolman, Winard Harper, Peter Martin, Chris Thomas and Brian Blade; 9pm & 11.30pm; Dec 5, 6, 7, 8, 9, 10
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Mahagonny: by Weill. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Ann Panagulias, Helga Dernesch and Kenneth Riegel; 8pm; Dec 2, 6, 9 (1.30pm)

■ PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre Colonne: with conductor Antonello Allemandi and pianist Ilan Rogoff perform Rachmaninov's "Piano Concerto No.2" and Tchaikovsky's "Symphony No.6"; 8.30pm; Dec 4
OPERA & OPERETTA
Théâtre de l Opéra Comique
Tel: 33-1 42 86 88 83
● Dido and Aeneas: by Purcell. Conducted by Michel Uhlmann and performed by the choir, soloists and orchestra of the Académie Baroque Europeénne de l'Abbaye d'Ambronay; 7.30pm; Dec 2, 3 (4pm)

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● György Sandor: the pianist performs works by Bach/Busoni, Mozart, Bartók, R. Schumann, Kodály, Debussy and Prokofiev; 8.45pm; Dec 1

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Thomas Riebl, Gabriele Sima and Cordelia Höfer: the viola-player, mezzo-soprano and pianist perform works by Hindemith, Brahms, Britten and Bischof. One of the Mozart-Fest performances; 3.30pm; Dec 3

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● Dmitri Hvorostovsky: the baritone sings a selection of songs by Rachmaninov and the Washington premiere of Sviridov's "Russian Cast Adrift"; 8.30pm; Dec 1

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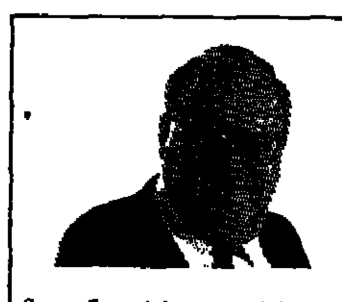
Financial Times Business Tonight



Economic Viewpoint · **Samuel Brittan**

Merits of postponed virtue

Those financial critics demanding a more drastic cut in the budget deficit would have thought the chancellor mad if he had acted on their advice

Some financial commentators would have liked a wonder tonic for Conservative electoral prospects from Tuesday's British budget combined with increased fiscal virtue. As miracles are highly improbable (see David Hume's classic essay on the subject two and a half centuries ago) the City could not be given this particular delight.

In the event it was worried by two specific aspects: the disappointingly high budget deficit estimated for the present financial year and the frenzied market rumours of an impending interest rate cut.

The chancellor, Kenneth Clarke, was able to reduce the latter worry by going on the air to say that no decision on interest rates would be made until his meeting with Mr Eddie George, the Governor of the Bank of England, on December 13. He also said that the Treasury forecasts – which many regard as over-optimistic about the real economy – do not assume any change in interest rates. This is quite true and in line with normal practice.

Nevertheless, the outlook for the economy is more worrying than the fiscal red ink. Perhaps the House of Commons has had to listen to too many macro-economic disquisitions in the 1960s and 70s and too many monetary sermons in the 1980s; and the reaction against them is understandable. But the pendulum has swung much too far, with the almost complete disappearance of this section of the budget speech. The point is a very practical one, as it is the economic outlook on which the budget documentation is most vulnerable.

Let us, however, deal with the fiscal red ink first. The story here is the old Augustinian one – named after the saint who asked God to make him chaste, but not yet. The 1994 budget, like the one before, laid down a path for a declining public sector borrowing requirement both absolutely and as a share of gross domestic product.

The path is still there, but it has been affected by "fiscal drift". The public sector borrowing requirement for this financial year is now estimated to be £29bn, compared with £21½bn in the 1994 Red Book. The estimate for next year is now £22½bn, compared with £13bn first projected.

Starting from where we are, there is the same downward slope; but the whole curve has been shifted bodily upward as shown in the chart. On present expectations the PSBR, which was originally expected to drop to the magic proportion of 3 per cent of GDP this year, will not do so until 1996-97. It is still hoped to finance all current spending from revenue in 1998 and to move to repayment by 2000. As there was already a budget surplus in the years 1987-90, albeit at a cyclical peak, the progress envisaged is hardly sensational.

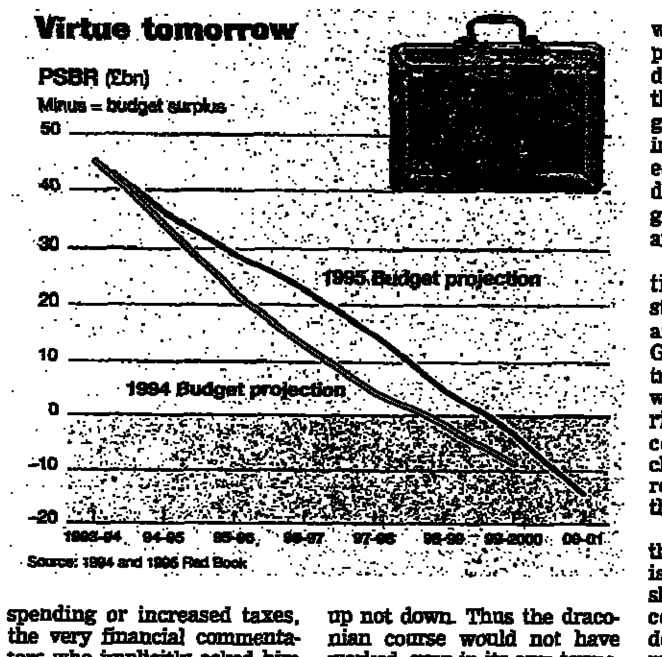
Nevertheless, nothing would have been more counterproductive than an attempt to slash public spending and/or to switch from "tax cuts" to tax increases to regain the original deficit reduction path. The main reason why the PSBR has overshot is a shortfall in revenue. Public spending, which is planned in cash terms, is actually expected to come in this year at slightly below the original plan. It is true that it did not fall in real terms as the Treasury also expected. This was because the measure of inflation used for making the conversion – the GDP deflator – turned out lower than expected. Is that bad news?

The revenue shortfall is partly due to economic growth being below forecast and partly to the tax yield of a given GDP being less than hoped. The Treasury has simply projected a continuation of this latter element of shortfall in future years – like a locomotive pushing a trailer in front of itself.

If the chancellor had made draconian cuts in public spending or increased taxes, the very financial commentators who implicitly asked him to do these things, would have thought he had gone mad. In purely mechanistic terms, these measures would have reduced demand at a time when the economy is quite vulnerable. This further setback to growth would have reduced, if not eliminated, any fiscal gain from taking the puritan path.

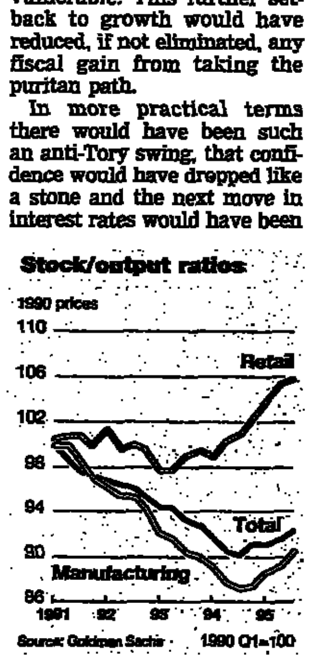
In more practical terms there would have been such an anti-Tory swing, that confidence would have dropped like a stone and the next move in interest rates would have been up not down. Thus the draconian course would not have worked, even in its own terms.

Virtue tomorrow



Source: 1994 and 1995 Red Book

Stock/output ratios



Source: Goldman Sachs · 1990 Q1=100

As it is, three of the most specific indicators looked at by the Treasury, and even more the Bank, in determining monetary policy are facing the wrong way. One monetary aggregate, M0, is above its official monitoring range; and the other, M4, is almost at the top of its range. The sterling index has fallen about 5 per cent this year and hovers around the all-time low. There are, as always special factors at work. But it would be surprising if all three could be explained away so easily. Indeed I should not like to do so before Eddie George, Hans Tietmeyer, or any other central bank governor.

The most vulnerable element in the UK economic outlook relates to stocks. That is only a lead-in. The stock ratio is rising because final demand from domestic and overseas buyers has been disappointing. Indeed real GDP would have fallen in the third quarter of 1995, had it not been for an abnormally high increase in stocks.

The Treasury notes this development, but simply assumes that stock building will only fall a little from its present levels and that final demand will recover. Indeed the behaviour of stocks is relegated to one small paragraph in the Red Book. The world economy, on which export demand so heavily depends, is given more space, but without any imagination or insight.

The mainstream international forecasts, showing steady 2¾ per cent growth per annum up to 1997 in the Group of Seven main industrial countries, are reproduced without any discussion of risks, let alone of policy co-operation. Even if the chances of a continued growth recession are one in three, they are still serious.

The most cheerful part of the Red Book, and one which is much better researched, shows that UK international competitiveness, properly defined, has increased even more than generally realised. The Treasury has also recognised some elements of supply side improvement and raised its guess about the trend growth from 2¼ to 2½ per cent per annum. This may not seem much, until one remembers that to persuade the Treasury to raise its view of supply potential is more difficult than moving the Himalayas.

The inference is that the UK is well placed to take advantage of any resumption of normal world growth but badly placed to take a lead in giving a stimulus. If world growth continues to disappoint, then the closing of the British budget deficit may have to be postponed still further.

That would just be too bad. Prudent public finance consists of setting a path for spending and revenue consistent with balance or a modest deficit over a normal cycle when the economy is growing at trend rate. It does not consist of blindly pursuing balance in particular years, irrespective of what the economy is doing. If those who claim to speak for the financial markets think otherwise, they are plain wrong.

BOOK REVIEW · David Buchan

LES VOLONTAIRES DE L'AN 2000 By François Heisbourg
Balland, FFr120

All guns blazing on French defence policy

This book is well-timed. France is on the eve of some big decisions on the future of its defence. President Jacques Chirac is due to take these next spring, on the basis of a series of government reports now under preparation on all of the country's military policies and programmes.

He would do well to heed this contribution from one of the few Frenchmen to combine real knowledge of the wider strategic scene with a grounding in France's defence industry. Heisbourg served as director of the London-based International Institute for Strategic Studies and now works for Matra Defence.

France has been slow to adapt its defence to the ending of the cold war. In the five years after the fall of the Berlin wall in 1989, French defence spending fell a mere 4 per cent below its cold-war peak, compared with cuts of 24 per cent in the US and the UK, and 27 per cent in Germany. But the French government can no longer spare defence in its desperate quest for ways of reducing its deficit. The crash is coming.

Heisbourg offers no soft landing: the time is already past to draw the peace dividend without unacceptable consequences, he says. Rather, he suggests a new landing zone for French defence planners to aim at: "An effective nuclear deterrent with fewer weapons than at the time of the Soviet threat, and a professional and smaller army with better equipment and mobility."

France faces few serious threats, says Heisbourg. He dismisses the "worst case" alarmists among his countrymen. The Red Army is not what it was, as its chaotic if brutal behaviour in Chechnya showed. Nuclear proliferation is in some ways less of a problem than it seemed 20 years ago, he says. France's overseas territories are not threatened with invasion. Yet, says Heisbourg, France intervened abroad in 1991-95 more than at any time since the colonial era: in Bosnia, Croatia, Cambodia, south Lebanon, the Gulf, Kurdistan, Rwanda.

To carry out these largely peacekeeping missions, France still has an army appropriate for the cold war. It is still 240,000 strong, the majority conscripts peeling potatoes in garrisons along the German border. A few elite units such as the marines, parachute brigade, aeromobile division and the Foreign Legion are much in demand for overseas missions where there is a risk to life. Partly because it sent no conscripts, France was able to field a contingent in the Gulf less than half the size of the UK's, despite having an army twice the size.

Not surprisingly, Heisbourg's main prescription is scrapping conscription – a proposal that is no longer taboo in France. Mr Chirac talked of moving towards a professional army before he became president.

Heisbourg swiftly disposes of the arguments raised against the proposal. National service in France has not proved a cure for social ills such as unemployment. It is not a "social mixer" – because French "yuppies" can often wangle themselves alternative national service in a London-based bank. Nor is it a "racial mixer" to the degree that it is in the professional US forces, where minorities can rise to the top. An all-professional army of 160,000 or less could be cheaper than the present set-up, says Heisbourg, and far more effective.

Heisbourg also challenges the resources consumed by the air force and navy. The air force aims to keep roughly the same number of people over the next five years, despite reducing the number of its planes by a third. As for the navy, France has 64,000 sailors to crew 35 major surface ships and submarines while the UK gets by with 51,000 sailors for 50 such craft.

He queries the strategy on aircraft carriers, which involves the construction of a large new nuclear-powered carrier, the Charles de Gaulle. Heisbourg regrets that France did not opt for UK-style "Harrier carriers", half the size of the Charles de Gaulle and designed to launch Harrier jump-jets. He argues that a second nuclear-powered carrier should be built to ensure one is always at sea; having just one is like trying to walk with one shoe, he claims.

Elsewhere, however, Heisbourg would wield the axe – on a new nuclear missile, on a fourth nuclear missile submarine, on the NH-90 helicopter troop transport and the Future Large Aircraft, the European joint project. He argues that these are either redundant or available more cheaply off the US shelf.

For all his laudatory references to the UK services as a model for France, Heisbourg warns that his country should not give priority to military co-operation with Britain. Tempting though that might seem in the wake of close Franco-British partnership in Bosnia, it would be at the expense of reinforcing its defence relationship with Germany or Europe as a whole.

He warns his compatriots that France's defence ambitions for Europe often seem arrogant and self-serving to other Europeans. Paris buzzphrases such as "a European defence policy" or "strategic independence for Europe" are often read abroad as "French defence policy paid for by Europeans" or "*carte blanche* for Paris's nuclear decisions".

On nuclear testing, Heisbourg does not satisfactorily analyse to what extent the hostility of many Europeans to French nuclear tests in the Pacific may require Paris to scale down its ambitions for European defence co-operation. But the fact that France retains the highest defence ambitions in Europe gives this book a wide relevance.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Brussels must tackle farm policy

From Mr Paul Wynne.

Sir, It is good news to read that the European agricultural commissioner believes reform of the common agricultural policy is essential to EU enlargement and to agreement of the next round of world trade negotiations ("No farm reform, no EU enlargement", November 24).

It is also heart-warming to hear regularly that our own Ministry of Agriculture, Fisheries and Food firmly shares this view.

What is important, however, is that the ministry should begin in earnest the debate about what form a new policy can and should take.

Saying it should be reformed is easy. The next and more challenging job is to come up with alternatives. There is no sign at the moment that the ministry is addressing this task.

Reforming the policy in preparation for EU enlargement must be a priority. Waiting to develop environmentally and socially led alternatives to the system until we are forced to do so could lead to a botched job.

Paul Wynne,
land use officer,
Council for the Protection of Rural England,
Warwick House,
25 Buckingham Palace Road,
London SW1W 0PP,
UK

EU commissioner flouts democracy

From Mr Philip Bowyer.

Sir, The report on the meeting of European Union member states on postal and telecommunications services ("Brussels telecom reform hits hurdle", November 28) once again raises concerns about Commissioner Karel van Miert's disregard for democratic processes in the EU.

Earlier this year the Commission agreed on a draft directive for postal services. That agreement was reached after several years of often difficult consultation with all the parties concerned.

The agreement clearly did not meet the desires of Mr van Miert, who had for some time been pressing the Commission to adopt measures of extreme liberalisation, based on a limited understanding of postal services, to be forced on to member states by use of article 90(3).

Disappointed by this defeat, Mr van Miert then proposed to sabotage the draft directive by issuing a notice which went well beyond the provisions of the directive and in certain cases quite simply contradicted it.

The European parliament has called for the notice to be withdrawn. The ministers have now delayed its publication by one year.

Forced to back down again, Mr van Miert is reported to have said in effect that the notice was unnecessary and he will in any case apply the rules of competition as he sees fit.

If that is the case, one is forced to ask why he insisted on the notice in the first place. Is he simply trying to play games with the consultation processes?

On behalf of more than 1m postal workers, we hope that Mr van Miert will abandon his attempts to derail these processes and start to listen to the people he supposedly consults.

Philip Bowyer,
general secretary,
Postal, Telegraph and Telephone Intl.,
38 avenue du Lignon,
CH1219 Geneva,
Switzerland

Electronic links are more enriching for students

From Mr Brian Flint.

Sir, Simon Buckingham (Letters, November 27) praises universities for having features that are completely unnecessary in an electronic age. On-line libraries are more practical than books because they can be accessed by more than one user at a time and because the underlying material cannot be defaced or stolen; lecture halls are unnecessary if lecturer and students are linked by video-conferencing; and dormitories are redundant and, indeed, confining when there is no real benefit to congregating in a single place.

Universities may well continue to be the focal point for information exchange, but how much more enriching if students first discussed the issues with those studying with (rather than at) other academic institutions and those already practising a particular discipline before presenting their thoughts to an internet discussion with their tutor and colleagues.

Brian Flint,
8 chemin des Champs Nouveaux,
1252 Meinier, Switzerland

Divine support for Boeing?

From Mr Brian J. Robson.

Sir, An outline drawing of a modern jet transport aircraft illustrated the article "On a wing and a prayer" (November 24).

The drawing lacked the starboard undercarriage leg, on the side of the aircraft attributed to the Boeing 777. I hope that this is not a suggestion that the Boeing 777 is supported by divine intervention.

Brian J. Robson,
29 Larchwood Close,
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Surrey SM7 1HE
UK

'Cold calling' ban is like using a sledgehammer to crack a nut

From Dr Caroline Jackson MEP.

Sir, The provisions of the EU distance selling directive ("Ban on 'cold calling' urged by committee of Euro-MPs, November 22), once adopted by ministers and the European parliament, would have to be applied Europe-wide by national parliaments. At least the European parliament's amendment to ban all telephone selling without prior consent is controversial enough to have dragged the directive into the limelight so that, for once, a wider public (including national MPs) can take part in the debate.

Opinions on the effectiveness of the UK Telephone Preference System will vary since it has only recently come into operation. But it should be realised that a German style ban on telephone selling without prior consent would be a sledgehammer which might shatter some nuts but miss others completely.

Is it appropriate for all telephone selling systems to come under a prior preference system? What about offers which may emerge in response to particular circumstances or even emergencies? What happens when all the double-glazing callers phone from Switzerland or even eastern Europe?

There is no clarity now about the position of the Socialists, who proposed the ban in the parliament's committee. Annemarie Kuhn MEP (Letters, November 28), one supporter of the idea, still stands by it. But the spokesman for the British Labour MEPs, who also supported it, is quoted in last Thursday's Herald Tribune as saying: "The European parliament is usually reluctant to go for absolute positions. An absolute ban on e-mail and telephone calls is an extreme way of dealing with the situation." Presumably these second thoughts are related to the impact such a ban would have on jobs. Perhaps he should give Mrs Kuhn a ring – if she will accept the call!

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COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday November 30 1995

Better a deal than deadlock

There may be some embarrassment in London and Dublin that it took the imminent arrival of Mr Bill Clinton to break the deadlock between the British and Irish governments on the next stage of the Northern Ireland peace process.

The announcement made by Mr John Major and Mr John Bruton late on Tuesday night bore the hallmarks of a deal struck at Washington's bidding. The joint communiqué indicated also that the launch of the so-called twin-track approach to bring together the parties in the province had not resolved the basic dispute over the decommissioning of IRA arms.

The British and Irish prime ministers, however, should be relaxed about jibes that they have delivered an imperfect agreement to avoid discomfiting Mr Clinton. Whatever the motivation, a deal is better than deadlock, even when it leaves questions unanswered. If the US president concentrated the minds of the two leaders, that is all to the good.

The substance of the agreement allows for an international body headed by Mr George Mitchell, a senior aide to Mr Clinton, to conduct a far-reaching examination of how the IRA and loyalist paramilitaries should decommission their weapons. In parallel, the parties in Northern Ireland have been invited to intensive preparatory talks to map the way for formal negotiations on a permanent political settlement. The end of February has been set as a target date for those negotiations.

Criticism of the accord, especially from the Ulster Unionists, has been directed at the fact that it leaves unsettled the issue of whether the IRA will have to decommission some weapons before Sinn Féin can join the second stage. Mr Major insists he has not dropped this precondition while Mr Bruton stresses such a demand is unrealistic.

In his response to the communiqué Mr David Trimble, the Ulster Unionist leader, reaffirmed that his party would not talk to Sinn Féin on any other terms. Mr Gerry Adams, the Sinn Féin president, was typically evasive, declining to spell out the level of the co-operation the IRA will offer to Mr Mitchell. The cynics will say that Mr Major and Mr Bruton have done no more than defer until next year the inevitable crunch between these two positions.

For all such flaws, the twin-track approach provides what Mr Clinton called a framework in which differences might be resolved. Mr Trimble can press his case for an elected convention to hammer out a political settlement. Mr Adams can seek to explain why Sinn Féin should be put on an equal footing before the IRA has given up any weapons.

Having served thus far as a catalyst, Mr Clinton meanwhile has been wise in stating that his role now is to support the efforts of Mr Major and Mr Bruton. The next few months will not be easy. But the threat of a return to violence has once again receded. That alone is worth the initiative.

Japan's defence

Japan's latest defence review is comforting news to Asians who worry that cold war tensions will eventually be replaced by a stand-off between Tokyo and Beijing. As the latter becomes economically and politically more powerful, it will grow to rival Japan, perhaps prompting it to re-arm. Such fears were fuelled this summer by Japan's reluctance to apologise for its role in the second world war.

The prospect of a 20 per cent cut in Japanese manpower over the next 10 years is particularly welcome given the difficult background. The threat from China is complex. Japan's close historic connection to Taiwan would draw it into any crisis there. Its dependence on trade means it has much to lose if conflict over the oil-rich Spratly Islands blocked shipping lanes through the South China Sea. Moreover, there is another threat from North Korea.

All that is justification for defence cuts being later and lighter than those of other industrial powers. Japan will reinvest some of the savings in helicopters and transporters that can be used in UN peace-keeping. That is positive, as is its plan to concentrate other investment in defensive technology. Japan needs a shield against North Korean missiles.

It would be unwise to assume that Japan has turned its back forever on any ambition to project its military power in the Pacific.

Re-armament is not politically popular at present. But there is debate on the issue as a more nationalist tone enters politics. Were public opinion to shift at some future stage, the planned cuts would still leave Japan able to switch quite easily to a more assertive role. Its submarine strength remains unmatched in Asia, for example. And it could readily acquire in-flight refuelling capacity for its fighter aircraft, greatly extending their range.

Crucial to limiting this risk is a continuing US military presence in Japan. The defence review assumes they will stay. Most Asian governments - including privately even some Chinese officials - argue that the US presence is essential to maintaining a strategic balance that will prevent escalation of the regional arms race. If the US withdrew, Japan would have no choice but to re-arm.

There is therefore natural Asian concern over opposition to US bases in Okinawa in the wake of rape charges against US soldiers there. To help ensure that its defence cuts stick, Japan's leaders need to redouble efforts to maintain public support for the US alliance.

It would help if Washington were not seen as over-bearing and quasi-colonial, as it is now perceived in Okinawa. Japanese voters must remain persuaded that the alliance is in their country's own interest. The US presence is actually helpful and necessary in containing the Chinese threat, and indeed that from North Korea.

Poujade's return

The package of measures to help small businesses unveiled by the French government this week appears broadly to have found favour with the constituency it aims to please. As a political tactic, it may therefore be judged a success. But as a piece of economic policy, supposedly intended to boost entrepreneurial initiative and wealth creation, the package is seriously misconceived.

Viewed in isolation, some of the measures seem sensible enough. The promised cut in inheritance taxes, widely blamed for forcing the sale of family-owned companies when the founder dies, is long overdue. The partial exemption from tax of re-invested profits may mitigate a chronic capital shortage in many of France's small businesses. Meanwhile, the pledge to cut red tape is welcome in a country long addicted to over-regulation – though for that reason, hopes should not be exaggerated.

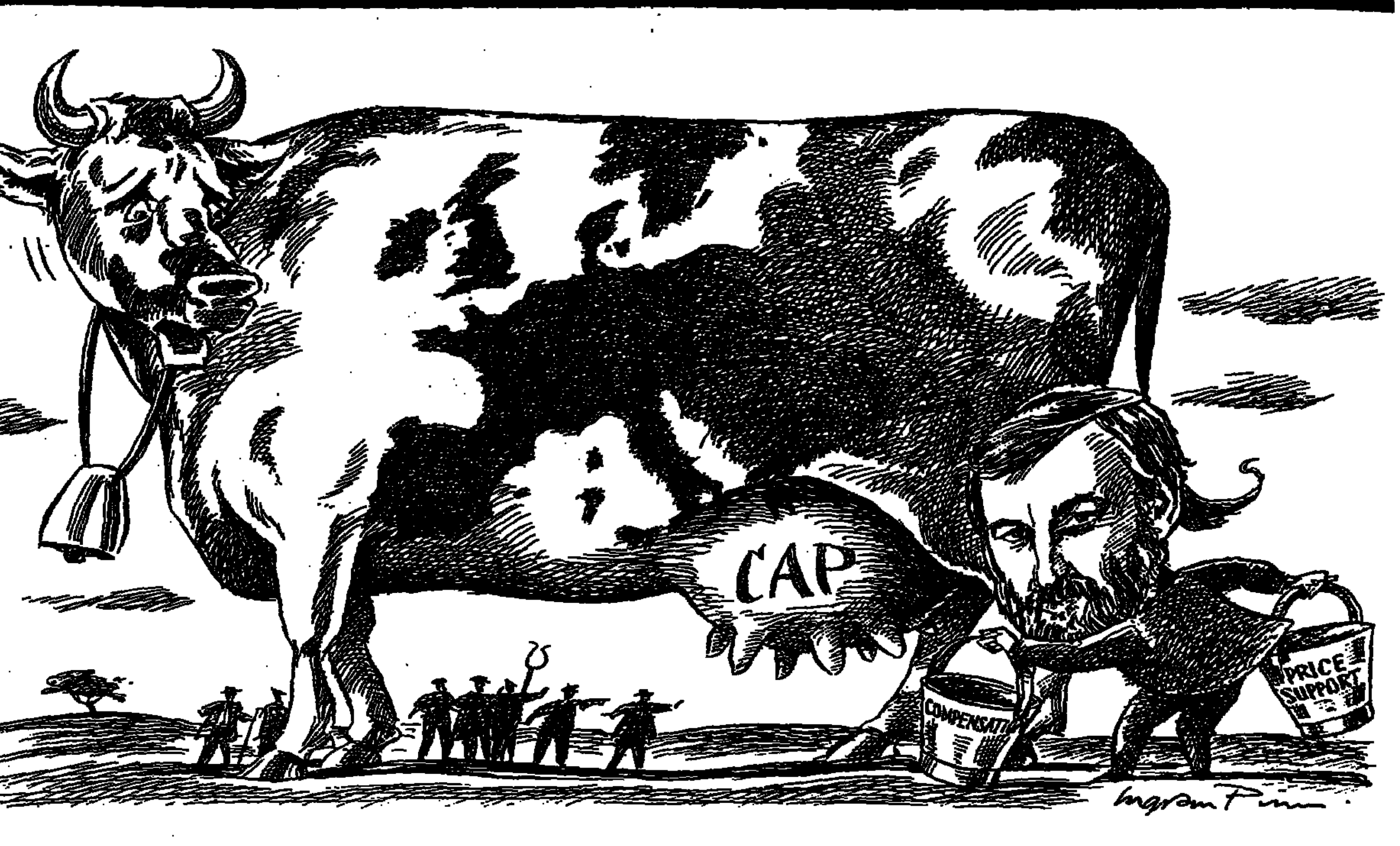
But these efforts to lighten the burden of the state amount to sticking plaster when surgery is needed. The biggest financial handicaps borne by France's small businesses are high real interest rates and weak domestic demand. Providing piecemeal tax breaks merely tackles the symptoms of a problem which can be cured only by correcting severe imbalances in macro-economic policy.

Unable to offer much relief on this front, the government has sought instead to console small businessmen by sheltering them from competition. Tougher laws are planned to prohibit "abusive" price-cutting, and to curb out-of-town hypermarket developments. The minimum size of retail sites requiring planning approval has been sharply lowered, and applications will be judged by new committees, which will include representatives of small business.

The changes seem designed to reward inefficient, high-cost, operators, and to protect incumbent hypermarket chains against new entrants. French producers, as well as consumers, will be among the losers. Shielding suppliers from the commercial disciplines imposed by large retail customers, while putting a floor under prices, removes an important stimulus for improvements in their competitive performance.

These measures are likely to do more harm than Britain's equally dubious decision two years ago to curb out-of-town developments on environmental grounds. In the UK, the impact was limited by the fact that the big chains affected also compete hard in city centres.

France's move, by contrast, seems motivated mainly by special pleading from threatened small businesses. Pandering to such entrenched interests may win votes, but it actively discourages innovation and enterprise. Mr Pierre Poujade, the reactionary populist who rose to political fame in the 1950s as champion of France's small shopkeepers, must feel thoroughly vindicated.



Changes down on the farm

Franz Fischler, the European Union commissioner, is proposing to reform the Common Agricultural Policy, says **Caroline Southey**

For those who remember the brinkmanship and bitter disputes that preceded the last agreement on sweeping agricultural reform in the European Union in 1992, the idea of going through it all again is alarming.

But the farm policy blueprint for the next five to 10 years announced in Brussels yesterday by Mr Franz Fischler, EU commissioner for agriculture, includes the message that further changes to the Common Agricultural Policy are inevitable.

In the 1980s no farm commissioner would have dared to make such a blunt statement. But the world, and EU farming, have moved on. European farmers have survived both the 1992 EU reforms and the subsequent deal in the General Agreement on Tariffs and Trade, which greatly curbed the rights of countries to subsidise exports.

Nevertheless the EU's agriculture policy remains one of the world's strongest bastions of protectionism. The Common Agricultural Policy, conceived five decades ago, is reviled by the world's food-exporting giants – the US, Australia and Argentina – but revered by some Europeans as one of the original cornerstones of European unity, without which the EU edifice would collapse.

The reforms of 1992 – prompted by unprecedented and expensive food surpluses – broke for the first time the European tradition of high levels of price support for farm produce. In compensation for falling price support, farmers were offered direct payments, setting in train the process of separating subsidies from prices.

Once again external factors are playing a large part in forcing the EU to face up to another bruising bout of reform. Mr Fischler has three strong cards to play: another round of international negotiations on agricultural trade is due in 2000; the EU's intends to grant full membership to 10 countries in central and eastern Europe, which could put a substantial financial burden on the CAP; and there is a danger of a return to EU surpluses.

Mr Fischler, a former Austrian agriculture minister, has been astute enough to recognise that there are limits to how far a reforming agriculture commissioner can go. This is no big bang. It is simply an extension of the changes introduced three years ago.

He dismisses as unworkable, too expensive and divisive any radical reforms such as scrapping all subsidies, abolishing production quotas, or giving each member state the responsibility for income support payments for its own farmers.

"None of these options is remotely saleable in political terms," a senior EU agricultural official says.

Instead, what is being proposed is a further reduction of farmers' reliance on price support; again the idea is that they will be compensated, where necessary, by direct payments from Brussels. Some payments could be linked to environmental and social needs as part of a new, broader "integrated rural policy"; the money might go to a range of farm and non-farm enterprises in rural areas.

The farmers fear these reforms will ultimately mean less money. "These ideas are scandalous from the point of view of farmers," says Professor Stefan Tangermann, a leading proponent of reform from the institute of agricultural economics at the University of Göttingen in Germany. "It is surprising but also courageous of the commissioner to voice them."

Mr Fischler has made clear that paying billions of Ecus a year to farmers, very possibly into the next century, to compensate for price cuts agreed in 1992 will be difficult to justify. "It's in the farmers' interests that the payment be linked to something different like services to society," says the agricultural official.

If agreed, the policy would reduce EU agricultural prices towards those prevailing on world markets, although not for all products. International prices for cereals, pigmeat and poultry have risen to or close to EU levels recently. But the gaps remain substantial for milk and beef – prices are 40 per cent higher in Europe than on the free market – and for sugar.

"Milk and sugar are the two market areas that will indicate how far these reforms will go," says Prof Tangermann. "If he manages to reduce prices and do away with quotas, it will be the big breakthrough. But now is not the time to spell that out in detail."

The Commission estimates that bringing milk and sugar prices close to world market levels would result in payments of Ecu10bn (£8.3bn) to Ecu15bn a year in direct payments if full compensation was paid.

"It is cheaper to stick with price support than pay out those levels of compensation. But by shifting away from price support towards compensation payments the EU will be making an investment in a future system," says Prof Tangermann.

Reformers say that if no further changes are made to farm policy, EU farmers will be undercut by imports allowed under trade deals which have given non-European producers much greater access to the EU market. And rising production – based on improved yields – will once again lead to surpluses.

Food mountains – wasteful and expensive – represented all that was unacceptable about European agriculture policy. They have only recently been reduced substantially, partly thanks to the 1992 reforms.

Meanwhile the ability of EU farmers to ship surpluses abroad was severely constrained under the last Gatt round, when the EU agreed to reduce subsidised exports by 21 per cent over six years, and is likely to become more constrained under the next agriculture round in five years.

There a few alternatives to Mr Fischler's proposed reforms, other than defying the Gatt constraints or further tightening measures to control output – for example, by introducing new quotas or increasing the amount of land farmers are obliged to take out of use under the "set-aside" scheme.

"In the present climate of opening our markets to foreign competition, that becomes impossible," says the agricultural official.

Some economists say the logical course for Mr Fischler would be to grasp the nettle firmly and propose cuts in payments to farmers. Next year's payments to compensate for price cuts will amount to Ecu26bn, more than half the Ecu40bn agricultural budget.

But even the most hard-nosed reformers admit this would have been a step too far. "I would like to have advised him to say compensation payments will come to an end or that they will be phased out. But it would be politically silly to do so," says Prof Tangermann.

Mr Fischler makes no mention of the effect the reforms might have on the CAP budget. The unwritten message is that farmers will continue to be subsidised in one way or another and that the CAP budget will remain intact. "These proposals do not suggest anything farmers have today will be taken away," says the agricultural official.

This message is important for the survival of Mr Fischler's plans. Agricultural ministers from member states will be the final arbiters of any reforms, and most will be fearfully watching for signs of revolt from their voters in the countryside.

Contrary to the popular view that the Commission is the source of EU protectionism, it is the member states that have discarded liberalising reforms in the course of negotiations. In rhetoric at least, the UK and Sweden, followed by Denmark and the Netherlands, have been the most outspoken proponents of CAP reform.

But even in France, where subsidised farmers wield considerable political influence, there are signs that resistance to reform could be more muted than in the early 1990s. "Farmers were dealing with the unknown before 1993," the agricultural official says. "But for them reform now has a good track record – they have never been better off than during the last three years."

In addition, larger French farmers, who have chafed at the production constraints imposed under the 1992 reforms, might be prepared to trade off lower prices for unfettered production and export opportunities.

The more optimistic believe Mr Fischler's policy guidelines will begin to emerge as concrete proposals by 1998 and work their way through the EU system by 1999. "The EU will want to go into the next trade round on a different basis. If the reforms are through, they will have the pleasure of being able to take a much tougher line against the Americans during the negotiations," says Prof Tangermann.

However, there is also a more cautious prognosis. "It will probably happen, but too late," says Mr Michael Tracey, director of the Brussels-based Agricultural Policy Studies think-tank. "We don't get reform until faced by a crisis. That will happen as we get to 2000 when we will go part of the way and fudge the rest."

· O B S E R V E R ·

Mr Sweden stays put

■ The reverberations over the execution by Nigeria's military regime of Ken Saro-Wiwa continue. Now the diplomatic representatives of a number of protesting nations are packing their bags – albeit temporarily – and leaving Lagos.

Among those "recalled for consultations" are the US envoy, the ambassador for Switzerland, discreet banking haven to many a Third World dictator, and all European Union heads of mission – except Sweden's. So is the EU's newest Scandinavian member already breaking ranks? Not at all, says Swedish ambassador Arne Ekfeldt. At the recent meeting of EU foreign ministers in Brussels, withdrawal of ambassadors was not on the agenda. The Swedish government backed economic sanctions, which were rejected by the majority of the EU.

"We have a good tradition in Sweden, we don't recall ambassadors for consultations," says Ekfeldt. "We don't think this symbolic action is worth much. I can consult with my government quite well by telex." The Swedes believe it's more important for their envoy to maintain contacts in the country and pursue its main objective of promoting democracy.

There's another reason why Ekfeldt is staying on. As there's no immediate prospect of change in Nigeria, disapproving western nations will soon face an awkward choice: either a diplomatic climbdown, by returning their envoys; or having no ambassadors in Africa's largest nation.

Ekfeldt, meanwhile, is sitting pretty.

Mariner Murdoch

■ Not content with buying up the world's sporting events, Rupert Murdoch may now participate in one of them. According to the Cruising Yacht Club of Australia, the Australian-born media proprietor's name appears on the crew list for the US maxi-yacht Sayonara, one of the favourites to win this year's Sydney-to-Hobart race.

Reports of Murdoch's return to the high seas – he last sailed the race 31 years ago, coming second – sent local newshounds chasing "Boy" Messenger, a septuagenarian Sydney salt who was master of the Murdoch-owned ketch, Ilina, in 1964. Messenger was less than awed by Murdoch's aquatic skills. "He liked to go to sleep all the time – he used to lock himself away in his cabin and sleep," was his main memory.

Here we don't go

■ Early yesterday afternoon a KLM plane carrying the Ajax Amsterdam football team left Tokyo. There was jubilation among the players and their 200 accompanying fans – Ajax had just won the World Club cup, beating Brazilian club Gremio.

Nine hours later, when the same plane again left Tokyo – loaded with fresh supplies of beer – the mood was less exuberant.

For the aircraft had spent hours hanging around above the Siberian border, waiting permission to enter Russian airspace.

Not that Russian air controllers have anything against Ajax, just that the plane's four-digit flight number had confused them. Scheduled KLM flights on the route have three-digit numbers, but this flight – a charter – had four.

Such niceties cut little ice in Siberia. When Russian permission finally arrived the plane was forced to return to Tokyo so that it could refuel.

And Gremio? They got back safe and sound.

Gang of three

■ Fidel Castro sported a military greatcoat in Beijing yesterday on his first visit to China in the 37 years since he took power in Cuba, possibly his only nod towards the past we are likely to see from him during his 10-day trip.

Like China, Castro has mellowed since the heyday of revolutionary communism. Ritual expressions of fraternal communist solidarity are not likely to figure high on the agenda.

Instead, Castro will be studying Chinese economic reforms with a view to applying them back home. These reforms have little to do with communism.

China remains nominally attached to communist ideology but its commercial landscape differs little from the rampaging capitalism which rules other parts of Asia.

Will Castro bump into Do Muoi, the general secretary of the Vietnamese Communist party? Do yesterday visited the tomb of Mao Zedong in Beijing's central square, where the late chairman is lying in state in a crystal sarcophagus. Do could have admired the handiwork of Vietnamese embalmers, who did such a splendid job on preserving Mao's likeness.

Chinese officials are not saying whether Castro, Do and Jiang Zemin, the Chinese Communist party boss, will try and have a get-together. Such a gathering would draw together the leaders of about three-quarters of the world's remaining communist states.

The absentee would be Kim Jong Il, putative leader of the hermit kingdom of North Korea.

Well-sprung

■ What's the difference between a lawyer and a trampoline?

You take your shoes off to jump on a trampoline.

The Financial Times

100 years ago

A curious development
It is a curious development of recent years that insurance of various kinds may so readily be had for nothing – as a mere make-weight to something else. We buy a penny paper, and a Railway Accident policy is ours. We subscribe to another, and the burglar may exercise his art up to £20 – without causing us any loss. And with still others, we may break our legs at football, or our neck when cycling, or be drowned while trying to save life, with the certainty of a more or less substantial compensation coming to our representatives or ourselves.

50 years ago

Rank film deal
Within a year or two the Rank group of film companies will be earning dollars for this country at the rate of $15,000,000 a year. This is the target which, as Mr. J. Arthur Rank told the Financial Times yesterday, he has set for his organisation. Such an amount would go a good way towards alleviating the position brought about by our heavy imports of American films, remittances for which are running at about £18,000,000 a year. Before the war our dollar expenditure on this account was £7,000,000.

FINANCIAL TIMES
Thursday November 30 1995

Economy 'is rebounding after weakness'

OECD warns against further US rate cuts

By Michael Prowse in Washington

The US Federal Reserve should not cut interest rates further because the economy is rebounding after weakness earlier this year, the Organisation for Economic Co-operation and Development said yesterday.

The Paris-based body plunged into Washington budget politics, warning in an unusually partisan report that the fiscal plans of the Republican-led Congress would weaken the US social safety net and aggravate income inequality.

The US economy was likely to grow by 2.5 per cent next year, with low inflation and near full employment, the OECD said. However, it warned the Fed to remain vigilant against the risk of higher inflation. Further rate cuts "might ultimately prove inappropriate and could need to be quickly reversed", it said.

The Fed cut rates by a quarter point to 5.75 per cent in July. Many private sector economists predict a modest easing of monetary policy if Congress and the White House reach agreement on a budget deal.

The OECD report was presented in Washington jointly by Mr Joseph Stiglitz, chairman of President Bill Clinton's council of economic advisers, and Mr Peter Jarret, an OECD official.

Mr Stiglitz, anxious to gain advantage in the current budgetary negotiations with Congress, praised the OECD for supporting the administration's line that "deficit reduction must not come at the expense of the social safety net". The OECD, while not endorsing all aspects of White House policy, appeared to side openly with Democrats in the heated budget debate. It raised doubts about "the impact on the nation's social cohesion of the even heavier reliance on individual incentives and responsibilities and the further dismantling of the already limited social safety net entailed by the favoured means of deficit reduction". The OECD warned that "paring the income security function, reducing taxes for the middle and upper income groups and slashing healthcare spending from reasonable baseline levels" would result in "a substantial diminution of the role of the federal government in income redistribution".

US in 'soft landing' .... Page 6
Bonds .... Page 30

It also attacked Republican plans to transfer responsibility for many social programmes to the individual states. "We are not convinced of the merits of devolving greater power to the states," Mr Jarret said.

Echoing the Clinton administration, he warned of the risk of a "race to the bottom" on welfare – a reference to the alleged danger that states, seeking to cut costs, will compete to offer the least adequate benefits for the poor.

Mr Jarret said he opposed some aspects of the White House's budget strategy, including its refusal to consider curbs on the growth of social security, the publicly funded pension plan, and its support for tax cuts.

Banking chief warns of currency turbulence over Emu

By Peter Norman in Bonn

Currency turbulence could hit European markets between now and 1998 when a decision on which countries will become members of the planned economic and monetary union is due to be taken, a top monetary policy maker warned yesterday.

Mr Alexandre Lamfalussy, president of the European Monetary Institute, said currency traders would start to think about the date of the decision, which countries would become Emu members and at what rates currencies would be locked.

There was "no easy way out" of the difficulty, he told a meeting on Emu organised by the finance committee of the German Bundestag.

But Mr Lamfalussy, who heads what is the precursor of the planned European central bank, said foreign exchange turbulence between the decision by heads of government during 1998 and the planned start of Emu on January 1 1999 could be manageable.

Much would depend on the choice of countries joining Emu. The right choice would minimise the risk of turbulence because they would have met the economic convergence criteria of the Maastricht treaty. He also said the exchange rates chosen at the fixing of the Emu currencies could be the averages over a period – limiting the danger of exchange rate speculation.

Mr Lamfalussy doubted whether most European Union countries would be in the first group of Emu countries. It was essential that a consensus be reached on how to handle relations between Emu members and outsiders, he said. Failure to do so could "poison" the EU.

Mr Theo Waigel, Germany's finance minister, said he wanted as many countries as possible to qualify for the third and final stage of Emu. But he repeated his insistence that countries be admitted on "hard, solid facts" concerning their economic performance in 1997 – data which would be available in early 1998.

In Brussels, Mr Jacques Santer, the European Commission president, insisted that economic data available in December 1997 would be sufficient to judge countries' eligibility.

Mr Hans Tietmeyer, the Bundesbank president, said one important question remained in connection with the three-year period between the fixing of the Emu currencies and the adoption of the single currency.

This was whether the single currency or the national currencies, which would still be in use, would be legal tender. He said the national currencies should stay legal tender until the switch to avoid legal problems.

Pact with Emu 'outsiders' canvassed, Page 2

THE LEX COLUMN

Can the issue

The privatisation of Pechiney is poised on a knife-edge. A steep fall in the price of the aluminium giant's quoted investment certificates means they are now below the floor of the government's indicative share price range. Faced with a one-quarter cut in the FFr8bn it was hoping to raise, the French treasury may be forced to delay the sale.

That would be a blow for its privatisation programme, but could turn out to be the most sensible option. Pechiney has been much improved under Mr Jean-Pierre Rodier, its chairman, who returned the group to profit and focused on its strengths as Europe's largest aluminium producer and one of the world's biggest packaging companies.

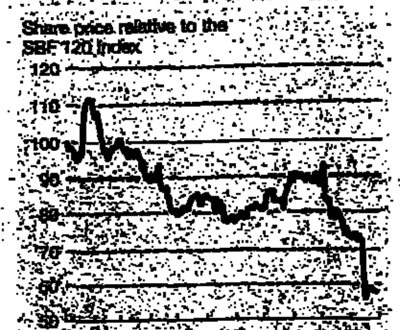
But privatisation looks premature. Debt remains high at 1.5 times current market value, and the planned FFr4bn capital increase will prove highly dilutive if the issue goes ahead at the current low price. Nor is the timing good; the French stock market is weak, the aluminium price has fallen and cyclical stocks are out of favour. Compared with rivals such as Alcan of Canada and Reynolds of the US, Pechiney has a poor record. Moreover, the buy-out of the separately quoted packaging arm restricts the packaging division's ability to expand by issuing its more highly rated shares.

The French government may decide to press ahead with the sale to boost its own finances, but forcing the issue on to reluctant institutions will make the next privatisation that much harder.

FT-SE Eurotrack 200:
1560.0 (+2.3)

Pechiney

Share price relative to the SBF 120 index



Source: FT Extel

London Stock Exchange

The London Stock Exchange has for many years danced to the tune of its most powerful members, the big market-makers. This morning, at what promises to be a heated board meeting, the exchange will seek to change the music. At issue is the executive's proposal to launch a computerised trading system which includes an "order-matching" capability.

This seemingly technical plan goes to the heart of how shares are bought and sold in London. With an order-matching system, market participants post bids and offers whenever they wish. With the current "quote-driven" system, by contrast, market-makers are committed to posting prices at all times. That may seem a good service for investors, except that market-makers charge a spread between bid and offer prices in return. The big market-makers are fighting the exchange's proposal because order-matching could marginalise their middleman role. But institutional investor groups are backing the exchange because less reliance on middlemen could cut their dealing costs.

The exchange is doing the right thing. So long as it retained a monopoly on share trading systems, it was happy to promote the interests of market-makers against those of investors. But with competitive trading systems now appearing in the UK and abroad, the exchange's interests and those of its most powerful members are diverging. Unless the exchange responds to investors' needs, it risks losing its role as London's principal trading platform. This morning's board meeting should back the executive rather than the vested interests.

Travelers/Aetna

Travelers' $4bn acquisition of Aetna's property and casualty insurance business has strong logic. The sector is ripe for consolidation; though it is supposed to be cyclical, the cycle has shown little sign of turning up. Weak demand growth means there are too many insurers chasing too little business.

Putting Aetna's and Travelers' businesses together will not solve this; the enlarged group will not be big enough to have much market power. But the deal still makes sense, because it should lead to big savings. Travelers' estimate – that it can cut costs by $300m, 15 per cent of the combined cost base – is modest. Travelers can get that far just by bringing the Aetna business into line with its own expense ratio. Economies of scale, especially since the two businesses are based in the same town, should allow Travelers to deliver more than that.

The market's reaction – to mark Travelers up and Aetna down – looks right. Mr Sanford Weill, Travelers' chairman, has a record of effective acquisitions and is not paying an extravagant price; $4bn is just above book value and less than 11 times this year's expected earnings.

For its part, Aetna may be disappointed that the market is not celebrating the departure of its poorest-performing business. But the deal will dilute its earnings. And given its failure to sort out the property-casualty business, Aetna's plan to spend the proceeds on acquisitions is scant comfort.

Lloyd's of London

Should Lloyd's of London be closed down? Some Names think the market ought to be "put into run-off" – closed to new business. The theory is that, instead of having to contribute capital to create Equitas, the Lloyd's rescue vehicle, individual Names would be better off waiting to be sued. This is illogical. If Lloyd's went into run-off, Names' liabilities would not disappear. On the contrary, they would be uncapped; without Equitas, Names would lose the opportunity to cut their losses and leave the market. Moreover, hard-pressed Names would cease to be able to rely on the Lloyd's central fund: they would have to pay up whatever the consequences.

If Lloyd's were to go into run-off – which could happen anyway if the recovery plan fails – the upheaval for insurers in the market would be huge. But it would not be the end of the world for them. They would still be able to set themselves up as insurance companies, although they would have to find new capital to do so.

For some the outlook could actually be better in the long run. The Lloyd's structure may be flexible, but it is expensive, which is why Lloyd's is losing market share; business has fallen to its lowest level since 1990. The Lloyd's brand, which used to be a big asset, is now a positive disadvantage in some markets. And unlimited liability is no longer a big selling point. Going into run-off could have its beneficiaries, but Names are unlikely to be among them.

Additional Lex comment on Tate & Lyle, Page 27

Nomura fined $1m

Continued from Page 1

NYSE said NSI had "adopted an aggressive (and incorrect) interpretation of net capital regulations" without seeking clarification of the rules from regulators.

NSI said since 1992 it had changed its US management to a "traditional Wall Street-style committee structure". Five of its seven executive committee members were American and the company's "style and operations are decidedly American".

The capital deficiency arose when Nomura bought the Mexican bonds for its own account for cash settlement, and simultaneously sold them for a settlement date a few days later. Over the following two years, transactions, which started at about $20m, grew to over $200m.

Juppé stands by austerity

Continued from Page 1

able to keep special arrangements allowing them to draw a pension at 50. The general thrust of the Juppé reforms is to lengthen the period of pension contributions for public sector workers and civil servants.

Further concessions to ease the rail strike could be read as a sign of weakness on other reforms.

Unions at Electricité de France and Gaz de France, the state utilities, are striking today to protest against a vote in the National Assembly which they fear could pave the way for privatisation.

Chinese old-guard attacks Deng's reform policies

By Tony Walker in Beijing

Old-guard Communist party ideologues have launched a stinging attack on the policies of Mr Deng Xiaoping, China's supreme leader, and warned that economic reforms were sowing the seeds of the party's destruction.

A document written by Mr Deng Liqun, an ultra-conservative former party propaganda chief, and circulated to high-level officials, attributes what it describes as China's moral decay to the re-emergence of a "bourgeois moneyed class".

Growth of the private economy at the expense of the public sector could ultimately destroy socialism's foundations and provide a platform for the emergence of a new political force hostile to communism, the document adds.

While Mr Deng Liqun, who is in his 80s, is a spent force politically, his gloomy predictions will strike a chord among a broad constituency of conservative officials concerned about the rapid pace of reform.

His renewed attack on Mr Deng Xiaoping's reformist policies coincides with continuing uneasiness over the transition to a new generation of leaders who will have to deal with fresh uncertainties in the post-Deng era.

Among critical issues will be the speed at which China moves towards a market economy and the degree to which this involves further political liberalisation.

Mr Deng Liqun – no relation to Mr Deng Xiaoping – warns in the document, called *Some elements that affect our national security*, that the Chinese Communist party risks going the way of its counterpart in the former Soviet Union if it does not slow the pace of change.

A long-time foe of China's patriarchal leader, Mr Deng Liqun may have been emboldened by signs that Mr Deng Xiaoping's health is now so fragile that he is barely conscious of what is going on around him.

But his apparent prescription for China, which would involve a slowing or even reversal of reforms, appears equally risky for a country which has come to expect high levels of economic growth and improvements in living standards.

A western official in Beijing said it was "probably all too late" for Mr Deng Liqun and his supporters as China had "moved on too far". But he added that such conservative Marxist criticism could not be dismissed out of hand and was certain to surface more strongly after Mr Deng Xiaoping died.

Mr Deng Liqun was appointed head of the party's propaganda department in 1982 but was removed three years later. Since then, he has been a strong critic of China's new policies.

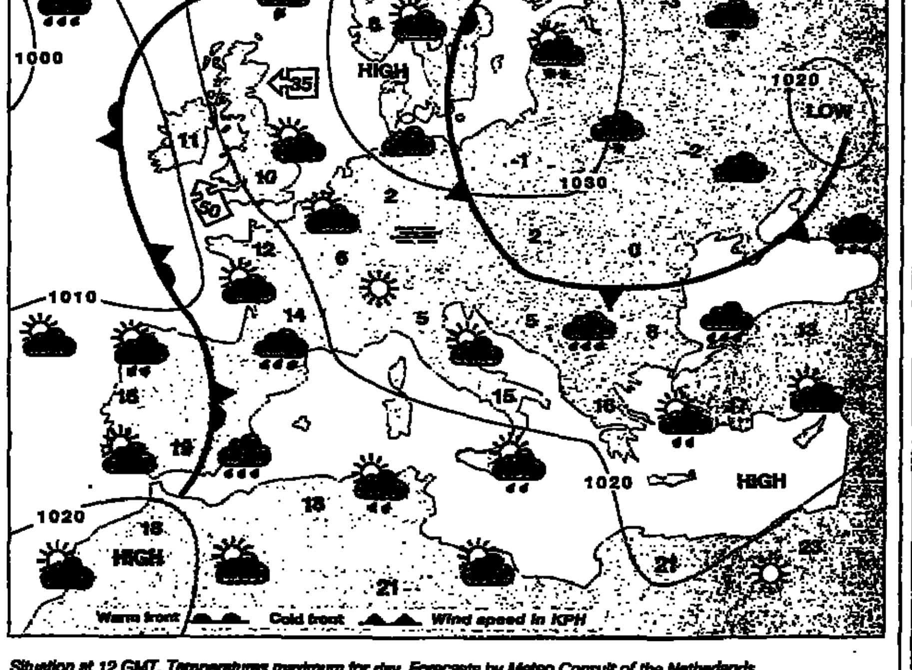
FT WEATHER GUIDE

Europe today

High pressure near Oslo will promote dry and cloudy conditions in southern Scandinavia and central and north-western Europe. Strong breezes will affect Ireland, where the west will be wet. A frontal zone crossing the Iberian peninsula will give rain in Portugal and western Spain and cloud elsewhere. There will be a lot of rain in the eastern Pyrenees, the Balearic Islands, Sardinia and Sicily. The rest of Italy will be dry with plenty of sun. The high pressure system will direct cold air across Russia towards the Ukraine and the Balkans. There will be snow showers in the Carpathians and rain in Romania and the south-western Black Sea region. The eastern Mediterranean will be mainly sunny and dry.

Five-day forecast

The Mediterranean and Black Sea region will be unsettled with a lot of rain during the next couple of days. Iceland will be wet and windy. Central and north-western Europe will be cloudy, dry and cold owing to high pressure near the Baltics. From tomorrow, a frontal zone with rain will slowly cross the British Isles and move into France.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	26
Accra	cloudy	31
Algiers	shower	18
Amsterdam	cloudy	4
Athens	fair	17
Atlanta	sun	14
B. Aires	sun	29
B.ham	fair	9
Bangkok	fair	33
Barcelona	rain	15
Beijing	sun	8
Belfast	fair	10
Belgrade	cloudy	6
Berlin	fair	1
Bermuda	rain	23
Bogota	shower	20
Bombay	sun	32
Brussels	fair	4
Budapest	cloudy	3
C.hagen	cloudy	2
Cairo	sun	22
Cape Town	fair	19
Caracas	fair	31
Cardiff	fair	10
Casablanca	rain	20
Chicago	cloudy	6
Cologne	cloudy	3
Dakar	fair	29
Dallas	sun	22
Delhi	sun	25
Dubai	sun	27
Dublin	shower	10
Dubrovnik	fair	13
Edinburgh	fair	9
Faro	fair	18
Frankfurt	cloudy	2
Geneva	fair	3
Gibraltar	fair	17
Glasgow	fair	10
Hamburg	cloudy	3
Helsinki	fair	-5
Hong Kong	fair	23
Honolulu	cloudy	26
Istanbul	rain	13
Jakarta	thund	30
Jersey	cloudy	12
Karachi	sun	27
Kuwait	sun	18
L. Angeles	fair	24
Las Palmas	shower	22
Lima	fair	25
Lisbon	cloudy	15
London	fair	11
Lux.bourg	fog	-1
Lyon	fair	4
Madeira	cloudy	20
Madrid	shower	10
Majorca	shower	17
Malta	rain	19
Manchester	fair	10
Manila	rain	29
Melbourne	cloudy	22
Mexico City	sun	22
Miami	fair	26
Milan	fair	8
Montreal	fair	-6
Moscow	snow	-7
Munich	cloudy	0
Nairobi	cloudy	25
Naples	sun	14
Nassau	fair	26
New York	sun	4
Nice	fair	14
Nicosia	fair	20
Oslo	fair	0
Paris	fair	5
Perth	sun	24
Prague	cloudy	-1
Rangoon	fair	33
Reykjavik	drzzl	6
Rio	shower	25
Rome	sun	14
S. Frsco	cloudy	17
Seoul	fair	6
Singapore	shower	32
Stockholm	fair	-3
Strasbourg	cloudy	0
Sydney	thund	29
Tangier	rain	17
Tel Aviv	fair	21
Tokyo	cloudy	12
Toronto	cloudy	2
Vancouver	rain	8
Venice	fair	12
Vienna	cloudy	3
Warsaw	fair	-4
Washington	sun	7
Wellington	fair	19
Winnipeg	snow	-2
Zurich	cloudy	1

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FINANCIAL TIMES
COMPANIES & MARKETS

Thursday November 30 1995

IN BRIEF

Nedlloyd reveals 'irregularities'

Nedlloyd, the Dutch transport group, revealed "serious irregularities" in its Austrian road haulage operations which would lead to an "important" exceptional charge in the fourth quarter. The group reported a sharp drop in third-quarter net profits to Fl 23m ($14.5m), from Fl 43m a year earlier. Page 20

Krupp Hoesch to pay DM700m for Uhde
Krupp Hoesch, the German steel and engineering group, outbid two leading competitors to buy Uhde, the subsidiary of the Hoechst chemicals group. Industry sources said Krupp Hoesch would pay about DM700m ($488.2m) for Uhde which is one of the world's leading builders of chemical plants. Page 20

Seagram rises as MCA purchase feeds in
Seagram, one of the world's top drinks groups, reported operating income of US$481m for the third quarter to October 31, against US$257m a year earlier. The latest quarter is the first to include MCA, the US entertainment group in which Seagram bought an 80 per cent stake earlier this year. Page 21

Mexico announces £1.5bn bond placement
The Mexican government said it had placed $1.5bn in one-year bonds among international investment funds and other investors, in the country's third sovereign debt issue since the devaluation of the peso last December. Page 21

Cereal sweeteners help Tate to *record*
Strong performances by cereal sweeteners and starches helped Tate & Lyle, the UK-based sweeteners and starch group, to overcome weakness in US sugar and report a 13.6 per cent rise in pre-tax profits to a record £311.1m ($491.5m) for the year to September 30. Page 25

Swalec rebuffs £781mn Welsh Water offer
Welsh Water, *the UK utility, was sharply rebuffed* by its bid target Swalec following an indicative £781m ($1.23bn) offer which the regional electricity company described as "totally unacceptable". Page 27

Indian tea crop poised to shrink
India, the world's largest producer of tea, is likely to finish the current season with a crop of about 730m kg, compared with last year's 743.8m kg. But average prices, which fell sharply last year, are enjoying a recovery. Page 29

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
dana	844	+	11	Immobanque	828	+	13
lochtief	650	+	10	SGS-Thomson	198.5	+	14
asche	865	+	9	**Falls**			
Falls				Ecco	761	–	30
achen Mch	925	–	20	Lafarge	324	–	11.2
ako Pri	630	–	10	Sab SA	570	–	15
ssential	126	–	6.1	UFB Locabail	397	–	12
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
lgen	110	+	3⅜	Fujitsu	1150	+	30
etscape Comm	140¼	+	6¼	NEC	1290	+	20
xar	39½	+	17½	Sony	5400	+	50
ryglass	108¾	+	11½	**Falls**			
avelers	58¾	+	3¼	Gunma Bk	1060	–	20
Falls				NKK	282	–	7
lorida	61⅛	–	3⅛	Takara Shuzo	1050	–	20
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
ay Hill	635	+	17	Dao Heng Bk	28	+	0.6
ital Radio	504	+	27	Guoco	35.0	+	0.8
T Computing	245	+	15	New World Dev	32	+	0.6
thew Clark	655	+	28	Television Brd	27.75	+	0.6
Falls				**Falls**			
m	81	–	11	Miramar Hotel	15.2	–	0.5
hamber	250	–	16	Sun Hung Kai	60.75	–	0.5
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
amet Comm	22	+	1¾	Crown Seal	63.5	+	5.5
ch Tech	30¾	+	1¾	Regional Cont	206	+	8
wen	34	+	1¼	**Falls**			
1 Telecom	54½	+	2¾	Ban Pu Coal	546	–	12
Docs	24	+	1¾	Intl Cosmetics	220	–	16
Falls				Italian-Thai	260	–	8
adicare	27¾	–	1¾	Siam Cement	198	–	48

v York & Toronto prices at 12.30.

Price fall fuels Pechiney sell-off worries

By John Ridding in Paris

A fall in the price of Pechiney's investment certificates yesterday and reports of weak investor demand fuelled concerns about the privatisation of the French aluminium and packaging group.

Some bankers believe the government may even be forced to delay the sale of its 56 per cent stake, a move which would *represent a significant* blow to France's privatisation programme.

"This is their most difficult privatisation operation so far," said one banker. "Investors have shown little appetite, although one should never underestimate the pressure the French treasury can bring to bear on institutions to buy shares."

With the *government set to make a* decision about the pricing and the timing of the privatisation issue within the next few days, the company's non-voting *investment certificates lost FFr1.6 to* close at FFr205.5. They had earlier traded at FFr203.

At the closing price, they are just below the floor level of a FFr187 to FFr215 guideline price range for shares in the privatisation issue, taking into account proposed exchange terms of 10 investment certificates for every 11 shares.

Mr Jean Arthuis, the French finance minister, describes the government's guideline price range as non-binding and has said he had no plans to suspend *Pechiney's privatisation. However,* Mr Arthuis has also said that the government would not sell state assets at a significant discount to their estimated value.

Part of the problem facing the sale is *the poor performance of previous priva*tisation stocks. Usinor Sacilor, the steel group which was privatised during the summer, has seen its shares fall to about *FFr75, compared with the FFr86 at* which they were offered to the public. Most other privatisation issues have suffered declines.

Investor sentiment has also been soured by the weakness of the Paris stock market, in spite of a rally in recent weeks, and by the downturn in the aluminium market. Aluminium prices have declined from about $2,300 per tonne at *the beginning of the year to below* $1,700.

For many observers, the level of support from US investors will be crucial to *the issue. Mr Jean-Pierre Rodier, who* took over as Pechiney's chairman last year and has implemented a wide ranging restructuring of the group, is hosting *a series of roadshows in the US. He is* due to return to Paris at the weekend.

Lex, Page 18

Cinema animator creates a blockbuster on Wall St

By Louise Kehoe in San Francisco

Pixar Animation Studios was a sell-out on Wall Street yesterday, as well as in cinema box offices. The computer animation studio which created *Toy Story*, the newly-released Walt Disney film, went public with a share offering that quickly doubled in price.

Pixar offered 6m shares at $22, an increase over the initial target range of $12-$14. In early trading, the stock reached $50, but retreated to $39 in *mid-session*.

Analysts said the timing of Pixar's initial stock offering was perfect, coming on the heels of the US release of *Toy Story*, which grossed more than $40m at box offices over the Thanksgiving holiday weekend.

The film, which is Pixar's first full-length motion picture, is the first cartoon film made solely with computer-generated animation.

Using computer workstations from Silicon Graphics and software created at Pixar, the studio has taken computer animation to new heights, film critics say.

Pixar, based near San Francisco, is owned by Mr Steve Jobs, the co-founder of Apple Computer who now heads NeXT Computer. Mr Jobs acquired Pixar, a spin-off from Lucasfilm, in 1986 for $10m. He has invested an estimated $50m since then.

Following yesterday's initial public offering, Mr Jobs retains an 80 per cent stake in Pixar, valued at more than $1.1bn at the yesterday's trading price.

According to the prospectus, Pixar has a contract to produce two more Disney films and it *aims to turn its technology to the* production of CD-Rom titles, cartoons and TV commercials.

The excitement surrounding Pixar's public offering drew comparisons with the August stock market debut of Netscape Communications, which went public at $28 and was trading at more than $140 on Tuesday.

The prospects for Pixar's success will depend largely upon its ability to maintain leadership in animation technology, where it is likely to face stiff competition.

Pixar is developing a second animated film for Disney, *Bugs*, but this is not expected to be released before the end of 1998.

The company's lengthy film production cycle and potentially small returns raised concerns among some analysts. Its financial success to date has also been modest.

For the past 4¼ years, while *Toy Story* was under development, Pixar's revenues were $35m and losses were $4.7m.

The company returned its first profits over the past nine *months*, with net income of $8.1m on sales of $10.6m, which included a $6.5m non-recurring licence fee from Microsoft for *visual-effects software*.

Poland to give BPH stake to rival

By Christopher Bobinski in Warsaw

The Polish government's plan to hand a 47 per cent stake in the recently privatised Bank Przemyslowo *Handlowy (BPH) to the* state-owned Bank Handlowy has dismayed foreign investors in BPH and could stall international interest in future disposals of the country's banks.

The move is part of a scheme approved by the government this week to build two strong banking groups around state-owned Bank Handlowy and the PKO SA bank. The sell-off of the two groups will start in 1997 with a *public offer of a fifth of their* equity. Separately, the Warsaw based Powszechny Bank Kredytowy (PBK) will be sold next *year followed* by the Wroclaw based Bank Zachodni.

Under the plan, the Bank Handlowy would be handed the *Szczecin*-based Pomorski Bank Kredytowy and the Treasury's residual 47 per cent stake in the BPH. Meanwhile, the PKO SA would get the Lublin-based Bank Depozytowo Kredytowy and the Powszechny Bank Gospodarczy in Lodz as well as the Treasury's 63 per cent stake in the Polski *Bank Rozwoju (PBR). The BPH's* market capitalisation on the Warsaw stock exchange is 782m zlotys ($313m) while the PBR is *capitalised at 210m zlotys*.

"It looks as if the government is using a hammer to complete a jigsaw," said an analyst yesterday about the plan which aims to speed Poland's bank privatisation programme by consolidating several state-owned banks and then floating them as larger units. "It looks like renationalisation ... it will send the wrong signal to foreign investors."

ING, the Dutch bank which *controls about 10 per cent of* BPH's stock, and the European Bank for Reconstruction and Development, which owns a 15 per cent stake, learnt of the plan to have Bank Handlowy brought in as a strategic investor from local newspapers.

Both banks have emerged from a clash with the government over the appointment of a chief executive for BPH. This ended with a compromise candidate after a letter from Mr Jacques de Larosière, the head of the EBRD, forced the withdrawal of the government's favoured candidate.

ING holds a 26 per cent stake in Bank Slaski in Katowice. The EBRD is a shareholder in the Poznan-based Wielkopolski Bank Kredytowy (WBK) where it holds a 24 per cent stake alongside Allied Irish Bank which owns 16 per cent.

Meanwhile, the government is offering 30 per cent of Bank Gdanski to investors abroad with a 30 per cent tranche offered to domestic investors from December 4.

Tyre shares suspended, Page 20

Turmoil in the gold market sparked investor interest – but normality is returning

Nervous market wary of its spell in the limelight

A measure of calm returned to the gold market yesterday after Tuesday's unprecedented turmoil but traders questioned whether the market would return rapidly to normality or continue to be dogged by lack of available metal.

This week's problems were caused partly by the structure of the gold futures market, which relies for its supplies on metal borrowed from central banks.

The banks earn a return on the gold in their vaults by lending it to market intermediaries – known as bullion banks – which in turn trade with mining companies, looking to lock in future production prices by hedging.

On Tuesday, tightness in the availability of gold for borrowing, following weeks of heavy demand, led to a supply crunch in the spot market. Traders pan*icked and spot prices surged* ahead of the forward market – for the first time.

The market was awash with speculation about *the collapse of* a bullion bank but these were swiftly quashed.

"Obviously, when the market moves rapidly, there is the potential for some problems," said Mr Alan Baker, chairman of the London Bullion Market Association.

Although some selling by mining companies and modest lending by central banks eased the tightness yesterday, the market remained jittery. The bullion market price added $1.55 to Tuesday's $4.40 gain, at $389.65 per troy ounce.

"The market is closer to normality, it doesn't have the headless chicken feel of Tuesday, but everyone is still nervous," said Mr Andy Smith, precious metals analyst at UBS.

The nervousness in the market is caused by unprecedented increases in "lease rates" – the rate charged by the central banks for lending gold. This rose this week to 6 per cent for one-month borrowing, compared with 1 per cent three weeks ago.

Rates have risen because of *two factors. First,* there has been a surge in hedging activity by several South African producers.

Second, central banks have been keeping back gold, which they would usually lend to the market, for balancing their books.

Anglo American Corporation, South Africa's biggest conglomerate, was one of the producers that anticipated the run-up in the cost of borrowing gold. Others have been caught out by trying to complete hedging strategies in a market in turmoil.

When Anglo came to the gold futures market in October to start re-building its hedge position, the cost of borrowing gold was five percentage points lower than this week's historic high point.

"As soon as lease rates drifted up, we stopped hedging and won't go back into the market *until they come back down* again," said Mr Kelvin Williams, marketing director in Johannesburg. "Our position now looks *quite favourable as it is at much* lower lease rates."

Some gold market traders are now hoping for an early return to normality – mainly because the central banks should begin to lend more gold after their year-end book-keeping.

"Gold lease rates will adjust themselves after this blip. The cost of borrowing further out is lower than short-term borrowing, which shows that the market anticipates a return to more normal levels," said Mr Jamie Sikolsky, at Barrick Gold in Canada.

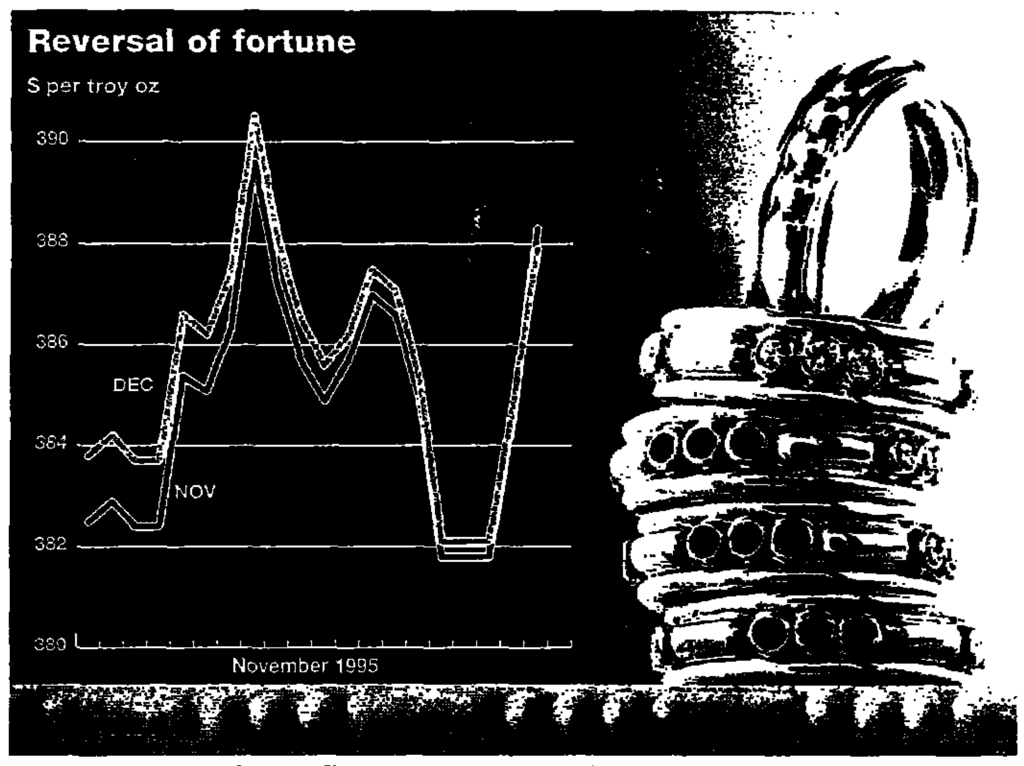
Barrick has 9m ounces of gold hedged at a price of $406 per troy ounce and the company says it will not change its hedging strategy unless the spot price were to move higher than that.

"Technically, the market has room to extend to $392 a troy ounce before it runs into resistance," said Mr Jeffrey Rhodes, manager of bullion marketing at Standard Bank London.

Traders said the return of gold to the headlines had sparked a flurry of interest from investors, who have shunned the market in recent years as inflation fears have receded. Speculators have *also been notably absent because* of the lack of market volatility.

This week's ructions are unlikely to cause any fundamental changes to the gold market nor are they expected to entice the public to stock up on gold jewellery.

Deborah Hargreaves



In November, the price for immediate delivery converged with the price for forward delivery in December

Dresdner Bank expands in US

By Andrew Fisher in Frankfurt

Dresdner Bank yesterday said it planned to buy a majority stake in *RCM Capital Management*, a US asset management company. The move continues its drive into international investment banking.

The German bank gave no figures but analysts estimate the deal to be worth about $500m. The bank said it intended to sign the purchase agreement with Travelers Group of New York, which owns San Francisco-based RCM, in the next few days.

Like its main rivals, Dresdner is keen to expand its foreign presence in fund management and investment banking. It paid DM2bn ($1.4bn) this year for Kleinwort Benson, the UK investment bank, and said it intended to complement this deal *with purchases* in the US and Asia.

News of Dresdner's agreement to buy control of RCM comes *after confirmation that Bayer*ische Vereinsbank in Munich is negotiating to buy Oppenheimer Group, a US brokerage, investment banking and fund management firm, for a similar price.

RCM has assets under management of about $27bn. It manages funds in US and international securities. Goldman Sachs of the US and ABN Amro of the Netherlands have shown interest in RCM.

Dresdner, Germany's second largest commercial bank with assets under management of about DM175bn, is being advised by J.P. Morgan, the US investment bank.

Mr Bryan Crossley, banking analyst at ABN Amro Hoare Govett, said the deal seemed to make strategic sense. "Asset management is basically a growing business with good prospects, *delivering reasonable* quality earnings on a reliable basis."

As the US initiatives by Dresdner and Vereinsbank show, German banks have not lost their appetite for acquisitions. Commerzbank tried to buy Smith New Court, the large UK stockbroker, but lost out to Merrill Lynch of the US. Its name was linked with Oppenheimer after it bought Jupiter Tyndall, the UK fund manager.

However, other German banks, such as Bayerische Hypotheken- und Wechsel-Bank and Westdeutsche Landesbank, plan to develop investment banking without large acquisitions.

Politics: By John Kampfner and John Murray Brown

Diplomacy gains ground

Quieter times: Stormont Castle, former seat of the Northern Ireland parliament

George Hamilton from "Parallel Realities" (Blackstaff Press, Belfast)

The past 15 months have seen the start of a long process of more normal politics

Underpinning any solution to Northern Ireland's problems will be the principle of consent. Does the majority of the people want to stay part of the United Kingdom or join the Republic of Ireland? And which majority - in the north or in the island as a whole?

Centuries of turbulent history and apparently irreconcilable loyalties have bedevilled the most recent search for a political settlement for the six counties in the north, which remained part of the United Kingdom when an independent Ireland was formed at the end of the first world war.

In Northern Ireland a separate parliament was created at Stormont with devolved powers, but this was suspended at the start of the "troubles" in the 1970s in favour of direct rule from Westminster.

The administration of Northern Ireland by non-elected civil servants accountable to the government in London proved reasonably efficient. If it failed to address any of the roots of the problem, as a means of keeping the two sides apart direct rule has proved the least worst option.

The basis of the current concept is the framework document which was launched by prime ministers John Major and John Bruton in Belfast in February this year despite ferocious complaint from many Unionist quarters.

Their main objection was the priority that it gave to the role of Dublin in the north's affairs. The strategy was predicated on three relationships working in harmony:

- the Anglo-Irish dimension;
- the republic and the north; and
- a modern, democratic internal arrangement for Northern Ireland itself.

The past 15 months since the ceasefires, for all the tortuous negotiations and doom-laden predictions, have seen the start of a long process of more normal politics.

Councillors and party officials, from Sinn Féin, to the moderate nationalist Social Democratic and Labour party, to the Ulster Unionists (the largest party in Northern Ireland), to the smaller Democratic Unionists, to the fringe loyalist parties have begun tentatively to talk to each other.

Symbolism and gestures have had great impact. Handshakes, joint television appearances, and joint platforms have said as much as speeches.

The "troubles" left Northern Ireland in a time-warp, exposed to violence but also cosseted from the responsibilities that come with power in most societies.

As a result, the political leaders have sometimes seemed distant from the electorate, many of whom remain deeply cynical about the political process. The Ulster Unionists, under their veteran leader, James Molyneaux, had relied almost exclusively on the influence wielded by their small number of MPs at Westminster.

Mr Molyneaux prided himself on his close links with the prime minister, the cabinet and Conservative backbenchers.

However, the publication of the framework document in its final form was interpreted by Unionists as a devastating snub. Mr Molyneaux never recovered.

The election in September of David Trimble as his successor came as a shock to Dublin and London who had both assumed that the more moderate John Taylor would emerge the victor.

One of the factors in Mr Trimble's success was his leadership of a triumphalist march by the protestant Orange Order through a Catholic district in Portadown, arm in arm with Unionism's perennial firebrand, the Rev Ian Paisley, leader of the Democratic Unionists.

Mr Trimble has since surprised his hardline supporters by suggesting that the party should redefine its party structure, a euphemism for its controversial links with the Orange Order, which to Catholics is seen as a sectarian body that is intent on reasserting a unionist hegemony for Northern Ireland.

Again, Mr Trimble, while adopting an uncompromising line on talks with Sinn Féin and the vexed issue of IRA arms, has proved himself more flexible than many had imagined.

He broke with the past by travelling to Dublin to meet with Mr Bruton, the Irish premier, and has courted support in the US.

But if his public profile is more prominent, his misgivings about negotiations with nationalists remain deep-seated.

Instead he has toyed with the idea of a pan unionist front, a strategy promoted by the DUP's Peter Robinson and the maverick independent Mr Robert McCartney.

He has also put forward his own proposal for a new elected assembly to get around the problem of the IRA's arms, in which all the parties would seek a post ceasefire mandate including Sinn Féin.

The idea has been rejected by nationalists who see it as stalling device. Sinn Féin and the SDLP are both suspicious of any formula which looks like a re-run of the old unionist-dominated Stormont. Dublin too is concerned that such an approach would give the internal dimension of any settlement a dangerous pre-eminence.

Both nationalist parties have until now adopted a common stance on the need for all party talks to secure a new agreement.

On key issues such as policing, the SDLP are holding out for the round table talks, in order to secure what they define as a new "agreed Ireland".

However, those negotiations may expose almost as much discord between the two nationalist parties as between nationalists and unionists. At the SDLP's annual conference earlier this month, one of the most heated debates was about the prospect of future electoral pacts with Sinn Féin.

John Hume's close understanding with Gerry Adams was pivotal in securing the IRA ceasefire and has been one of the cornerstones of the peace process.

With Mr Hume signalling his intention to step down at the next election, further co-operation between a new SDLP leadership and Sinn Féin is by no means assured.

However, the fact that parties are even considering such questions is a measure of the extent to which the process has advanced.

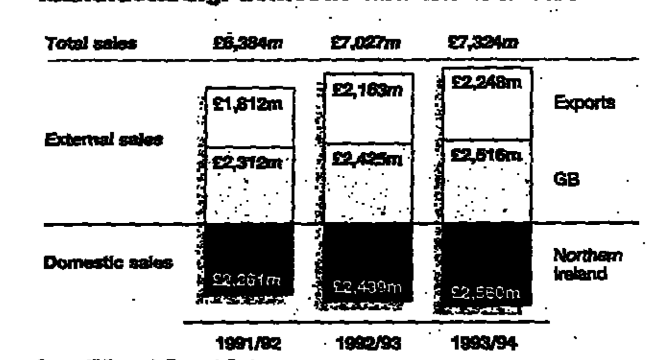
A symbolic handshake between Northern Ireland's old enemies will not be stage-managed for the Clinton visit, but such a possibility in the not too distant future can no longer be ruled out as the protagonists learn a new, and more refined, form of adversarial politics.

Economy: by John Murray Brown

Business hopes are riding high

Busy streets and packed shops are signs of growing economic confidence

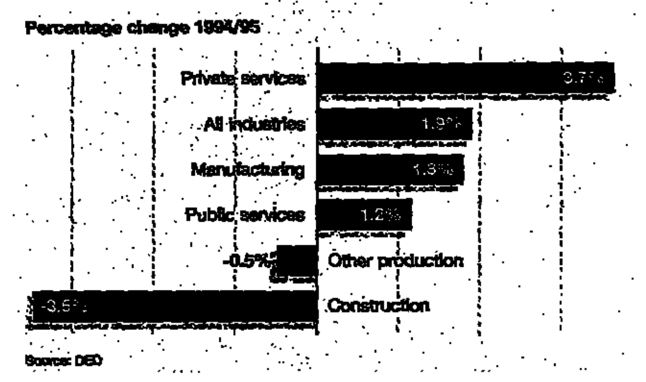
Manufacturing: domestic and external sales



Source: NI Economic Research Centre

Employment

Percentage change 1994/95



Source: DED

A visitor to Belfast unfamiliar with Northern Ireland's sad history could be forgiven for asking what all the fuss was about. Today there is little evidence of security forces on the streets. The rush hour traffic would compare with any other city in the UK, and new shopfronts are being unveiled almost every day.

Recent surveys suggest business confidence is higher than it has been at any time since the paramilitary ceasefires 15 months ago. A report this month by PA consultants, surveying 100 local firms, estimated that planned investment in the province had increased by 14 per cent in the year to October. Businesses reported that output growth is running at about 5 per cent and orders are up 4 per cent over the same period last year.

Exports are strong, with figures published in May this year showing Northern Ireland still outperforming the rest of the UK, a trend that predates the end of the "troubles".

How much of this is to do with the changed political environment is a point of debate. In part, buoyant economic activity reflects changes already in the pipeline and improvement of the UK economy as a whole.

In its latest report, First Trust Bank says that "apart from the sustained rise in local house prices and the expected surge in tourism, the peace has yet to provide a clear economic dividend". The real benefits of the peace may take longer to realise.

The bank, nonetheless, forecasts gross domestic product to rise by 3 per cent this year, and 3.25 per cent in 1996 and 1997, driven by faster manufacturing output, higher tourism revenues and lower unemployment. Personal disposable income is likely to increase by 2.75 per cent next year, keeping consumer demand rising at about 3 per cent.

Meanwhile, recent data suggests a slight fall in the numbers seeking jobs. Employment is forecast to rise by a modest 9,000 next year, and unemployment to fall to about 86,000 from 87,500 in mid-June this year. This is about 11.5 per cent of the workforce.

Some of the evidence points to an underperforming economy. Income per capita is the second lowest in the UK, after Merseyside and is 74 per cent of the European Union average. Unemployment is still high. Pockets such as nationalist west Belfast suffer unemployment rates of close to 30 per cent. Half of those out of work have been without a job for three years or more. Second or third generation unemployment in a family is not unknown.

But in important areas the Northern Ireland economy has remained immune to the "troubles". Property values have remained depressed, though they are advancing, particularly in the private residential sector. Rents are still low.

One in three of the workforce is in the public sector and receives a salary in parity with equivalent civil servants elsewhere in the UK. As a result, disposable incomes remain high, helping the province to avoid the effects of the recent recession.

Northern Ireland is a small, open economy. Of all the UK regions, it has the highest dependence on agriculture and has many of the features of a welfare economy such as those of Scandinavia. The government's subvention – the differences between taxes raised and monies spent on public services – is almost 25 per cent of GDP (about £3.4bn a year).

The province has some of the best public housing schemes in western Europe, a direct legacy of the civil rights campaign of the 1960s when housing and the perception of an anti-Catholic bias in public housing policy was seen as a leading cause of the "troubles".

The government has said the "block" will remain at equivalent levels for the time being. But the priority is how to reallocate the resources from security spending – about £900m a year – to other public needs such as education and health.

None of this can be conducted in isolation from the private sector. Many businesses have benefited indirectly from the "troubles" – the construction sector being the most obvious. And it is the building trade that is now suffering. Falling salaries in the Royal Ulster Constabulary, where a constable could earn after overtime up to £60,000 during the "troubles", will also have had a knock-on effect on the retail sector.

The increased public spending in the 1980s was a response to the "troubles" in two respects. First, it was the direct result of liabilities related to the bombing, and secondly, it reflected central government attempts to bring Northern Ireland's public services into line with those of the rest of the UK. This again was driven by the political objective of undermining the mandate of the terrorist.

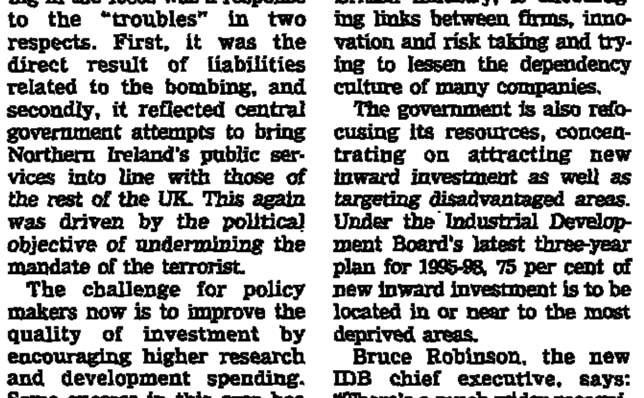
The challenge for policy makers now is to improve the quality of investment by encouraging higher research and development spending. Some success in this area has been achieved through the Industrial Research and Technology Unit, which is spending about £6m-7m in support of product and process research at 400 companies throughout the province. The IRTU estimates that companies have spent about £60m over the past four years, 25 per cent more than in the previous period.

Some in the private sector are trying to encourage a change in attitudes. The Growth Challenge, launched by a group within the Northern Ireland Confederation of British Industry, is encouraging links between firms, innovation and risk taking and trying to lessen the dependency culture of many companies.

The government is also refocusing its resources, concentrating on attracting new inward investment as well as targeting disadvantaged areas. Under the Industrial Development Board's latest three-year plan for 1995-98, 75 per cent of new inward investment is to be located in or near to the most deprived areas.

Bruce Robinson, the new IDB chief executive, says: "There's a much wider recognition of how well the Northern Ireland economy is doing. I think we're getting the fundamentals right."

Employment by sector



Source: DED

Cross-border trade: by John Murray Brown

Unchallenged logic

The case for co-operation between the north and the south is growing stronger

A few years ago when Ulster's linen manufacturers agreed to market their products with a Made in Ireland tag it was barely noticed. Today, in the wake of the ceasefires, the case for cross-border co-operation, either between businesses in Northern Ireland and those in the republic, or between the various government agencies and professional bodies is fast acquiring an unchallenged logic.

In purely economic terms, the case for more trade links is compelling. Northern Ireland accounts for only 4 per cent of the republic's total exports, and 3 per cent of its imports. Northern Ireland is more dependent on the republic, which is its biggest market, if sales to the mainland UK are excluded. In the year to March 1994, Northern Ireland companies exported £532m worth of goods and services to Ireland, representing a 35 per cent increase over a three-year period and 24 per cent of its total exports to the rest of the world. According to Irish statistics, for the first three months of 1995, total trade flows amounted to £322m – an 8.5 per cent increase over the same period in 1994.

From a marketing point of view, there is clearly much to be gained from being able to consider the island as a single unit. However, the examples of co-operation are strikingly few in number. Currently many retailers, operate separately north and south. ABF Foods, for example, owns Stewarts and Crazy Prices in the north and the Quinnsworth chain in the republic, but treats both as separate businesses.

To date, there has been little cross-border merger and acquisition activity. BWG, the distribution subsidiary of Irish Distillers bought out a small Belfast distribution company, while United Drug, the Dublin listed pharmaceutical company, acquired a distributor. The foods sector is one area where bankers expect to see an increase in activity. Golden Vale, the Dublin listed dairy group, made a stock exchange bid for Lekpatrick, a mozzarella producer in Tyrone.

Banks, too, have tended to develop distinct operations on either side of the border. When Allied Irish Bank bought out the TSB's operation in Northern Ireland, it renamed the bank First Trust Bank, apparently so as not to offend its largely protestant unionist business clients. That may be changing.

Barclays, the UK clearer, now conducts its admittedly fairly modest Northern Ireland business out of Dublin whereas before it was handled from the north of England. With Dublin developing rapidly as a financial services centre, this is a trend that is likely to accelerate.

The increased inward investment in both regions will encourage local companies to become sub-suppliers. Shorts, the Belfast based aerospace company – and Northern Ireland's largest private sector employer – is looking to increase the amount of sub contracting of parts and services to local companies, both sides of the border.

The Confederation of British Industry and its counterpart in the republic, the Irish Business and Employers Confederation, have a joint council to promote business on an all-Ireland basis. Numerous academic studies have been conducted on the merits of viewing the island as a single economic unit.

At an official level, the two tourism authorities are now marketing Ireland as a single destination. The two investment agencies are still in competition, for all the talk of sharing information during last year's Washington investment conference. In the tourism sector, there has been the high profile re-opening of the Shannon-Erne waterway.

Perhaps the most obvious area for potential co-operation is in public infrastructure development. The Northern Ireland Electricity company is working with the Electricity Supply Board in the south to reopen the cross-border power link, destroyed by the IRA in the early 1970s. The European Union is funding various road schemes, including the long overdue improvement to the Belfast-Dublin link, which still takes up to three hours for a 90-mile run. With Telecom Eireann bidding to take on a strategic partner, British Telecom could be chosen, opening the way for synergies between the two networks.

The public sector market in the republic alone is worth about I£5bn, with half of that carried out by local companies. Under European rules, member states have to open their public tenders to non-national companies from European states. An Bord Trachtala, the Irish Trade Board, now supplies an on-line public procurement intelligence service which can be accessed by companies north and south of the border.

In the professions, too, there are moves afoot to share information and skills. Accountancy has long been a profession organised on an all-Ireland basis, with mutual recognition of qualification north and south of the border. "The Leinster Society of Accountants is organised a little bit like the Irish rugby team," says Chris O'Connell of the Investment Bank of Ireland.

Two law firms, A&L Goodbody in Dublin and Belfast's Elliott Duffy Garrett, recently broke new ground by joining forces for an all-Ireland operation.

However, there remain areas where the co-operation breaks down, for example in the case of Belfast law graduates, wishing to become barristers in the republic. Until last month, when a challenge was made in the courts, an Ulster graduate would have been required to sit an extra exam on entering the Irish bar. The resultant judgment was that all graduates will now have to sit that extra exam.

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Record for Bank of Nova Scotia despite charge

By Bernard Simon in Toronto

Bank of Nova Scotia, the most geographically diversified of Canada's big six banks, has reported record annual earnings, *despite a substantial* fourth-quarter write down of its investment in Mexico's Grupo Financiero Inverlat.

Earnings climbed to C$876m (US$647m), or C$3.38 a share, in the year to October 31, from C$482m, or C$1.76, the previous year. The 1994 figures included special charges of C$305m, mainly from the acquisition of Montreal Trust and the write-off of goodwill at Scotia-McLeod, its securities dealing subsidiary.

Return on equity improved from 7.9 per cent to 14.2 per cent, while return on assets rose from 0.4 per cent to 0.64 per cent. Assets were C$147.2bn on October 31.

Fourth-quarter earnings advanced to C$230m, or 88 cents a share, from C$205m, or 81 cents. The bank wrote down its 8 per cent stake in Inverlat by C$145m to only C$10m as a result of Mexico's financial cri*sis. However, Scotiabank is* investigating the feasibility of substantially increasing its shareholding in Inverlat.

Loan-loss provisions charged against earnings edged down from C$567m to C$560m. Net non-performing loans were C$1.4bn on October 31, a 12 per cent drop from a year earlier. Since October 31, the bank has *charged C$116m after tax* against retained earnings to reflect new accounting rules on impaired loans.

Mr Peter Godsoe, chairman, said growth was especially strong in mortgage and consumer loans, as well as lending to small and mid-sized businesses. The bank's large Caribbean network performed well.

Licence for Monarch

Monarch Resources, the London and Toronto-listed gold mining company, said it had obtained all the requisite approvals from Venezuelan authorities to export up to 60 per cent of its Venezuelan gold production, Reuter reports from New Jersey.

Monarch said it is the first mining company to be issued a gold export licence by the Venezuelan Central Bank under the current regulations.

Monarch also said it had signed an agreement with Johnson Matthey for the refining of its gold exports in the UK. Prior to receiving the export licence, Monarch had to sell all gold production domestically, including to the Venezuelan Central Bank or its designated agents.

The company said US dollar proceeds from the export sales may be used to service its offshore obligations.

Monarch recently cut output at its La Camorra mine in Venezuela, after reporting a net loss for the nine months to end-September of $4.79m, or 0.09 cents, against net income of $835,000, or 0.02 cents.

Mexico increases size of bond issue

By Leslie Crawford in Mexico City

The Mexican government yesterday said it had placed $1.5bn in one-year bonds with international investment funds and other investors, in the country's third sovereign debt issue since the devaluation of the peso last December.

The dollar-denominated bonds have been designed as dual currency notes, which will earn the highest of two options: the 12-month London Inter-Bank Offered Rate (Libor), or 6 percentage points below the interest rate on 28-day Mexican Treasury bills, known as Cetes. Investors will have the choice of being paid in pesos or dollars.

Mr Martin Werner, director of public credit, said demand for the new bond offer far exceeded his expectations.

"We had originally planned a $500m issue, but with demand well in excess of $2bn, we decided to place $1.5bn instead," he said.

The issue will help bolster Mexico's international reserves, which stand at about $13.7bn, or about two months worth of imports, in view of the $8.5bn of foreign debt repayments due next year.

Mr Werner said he regarded the appetite for Mexican paper in the international financial markets as a sign of confidence in the government's economic stabilisation programme.

The new debt issue brings to $3.6bn the total Mexico has raised as a sovereign borrower in the international financial markets this year.

Mexican banks have also been successful in raising international finance, albeit at a higher cost than before the devaluation.

However, the cost of successive international debt issues this year has fallen.

● Mexico's top business leaders yesterday announced they would invest a total of $6.2bn in the country next year, a 40 per cent increase from recession-hit 1995.

In a ceremony designed as a show of confidence in President Ernesto Zedillo's government, the powerful Mexican Business Council, which groups the country's 40 top chief executives, said their exports would also increase by 20 per cent in 1996 to $8.5bn, or about 10 per cent of Mexico's projected total exports for next year.

Mr Claudio X González, chairman of Kimberly-Clark de México, marshalled his peers for this unprecedented announcement following widespread concern in the business community that the government's economic programme was floundering due to a perceived lack of confidence in the country's political and economic leadership.

The peso and the stock market rallied yesterday following weeks of volatility and nervous selling.

Restructuring puts Seagram into red

By Robert Gibbens in Montreal and Roderick Oram

A US$290m restructuring charge pushed Seagram, one of the world's top drinks groups and which now has interests in entertainment and communications, into a $55m net loss for the third quarter to October 31. *The loss compares with a* profit of $199m in the previous third quarter.

Seagram's spirits and wines business, which saw profits fall 3 per cent to $220m in the quarter, will account for $272m of the charge for "re-engineering every aspect of the way we manage", Mr Edgar Bronfman Jr, Seagram's president, said. The goal was to cut costs and improve practices sufficiently to achieve double-digit profit growth in spirits and wines.

All drinks producers have taken similar actions after suffering from the overall flat volumes and prices. Growth in emerging markets is offset by downturns in mature markets such as North America and northern Europe.

"Our strategy is to be at the premium end of the business and in emerging markets," Mr Bronfman said. "We're buyers, not sellers [of wines and spirits businesses]," but the emphasis would be developing the present portfolio, including drinks *such as Chivas Regal and Pass*port Scotch, Martell cognac and Absolut vodka.

Edgar Bronfman Jr: targeting the emerging markets

Group operating profits before the charge rose 87 per cent to $481m on revenues of $2.9bn against $1.5bn. The results included the first full quarter contribution from MCA, the recently-acquired US entertainment group. MCA contributed US$221m in operating profits, with strengths in films offset partly by a decline in the music business.

The group's third-quarter net loss was equal to 15 cents a share, against a profit of 14 cents a share a year earlier.

Nine-months net income was US$3.3bn, or US$8.92 a share, including a US$3.2bn gain on the sale of most of Seagram's 24.3 per cent stake in Du Pont, the chemicals group. A year earlier net income was US$545m or US$1.46 a share.

Seagram is to change its fiscal year-end to June 30 from next year for better alignment with the drinks and entertainment businesses. After the January 31 year-end, it will report for a five-month transition period ending June 30 1996.

AMERICAS NEWS DIGEST

RPR cancer drug wins EU approval

Rhône-Poulenc Rorer, the US drugs company controlled by Rhône-Poulenc, the French chemicals group, has won approval for its cancer drug Taxotere for all 15 member states of the European Union.

The approval, from the London-based European Medicines Evaluation Agency, in effect completes the series of approvals for the drug in main markets other than Japan. Last month, the drug was the subject of an "approvable letter" from the US Food and Drug Administration. Such letters usually lead to full approval.

But analysts are divided over the potential sales for the drug. Optimists, such as Lehman Brothers, forecast peak sales of $350m a year. This would make it easily RPR's biggest single product. The more cautious, including BZW, forecast combined annual sales of $280m for both Taxotere and a closely related drug, Taxol, made by US company Bristol-Myers Squibb.

RPR says that Taxotere has been shown in clinical trials to have the highest response rate from breast cancers of any single drug. But Taxotere's side-effects have worried some doctors. Such worries were behind the FDA's decision not to give the drug approval when it was first considered in 1994. Taxotere's approval in Europe covers its use in some breast cancer which has proved resistant to chemotherapy or has recurred after chemotherapy. The drug should be available early next year in most European Union nations, the company said.

Daniel Green, London

Bombardier maintains progress

Strong aerospace, transit equipment and consumer products business helped Bombardier maintain gains in sales and earnings in the third quarter. Net profit was C$73m (US$53.9m) *or 22 cents a share, up 26 per cent from C$57.9m, or 17 cents*, a year earlier. Revenues were C$1.6bn against C$1.3bn.

Nine-months profit was C$204m, or 61 cents a share, up from C$164.8m, or 48 cents, on revenues of C$4.4bn against C$3.6bn. The combined firm order backlog is more than C$10bn, including aerospace and transit orders worth C$600m booked in the past two months.

Robert Gibbens, Montreal

Stet completes Bolivia deal

Stet, Italy's state-controlled telecommunications holding company, has finalised its acquisition of a 50 per cent stake in Entel Bolivia, the state-run telephone company. Stet, which beat MCI of the US and Telefónica of Spain for the stake, has injected $610m into the company to underwrite an increase in capital. Earlier this month, the Italian group also bought a 10 per cent stake in Iridium Sud America, a company responsible for satellite cellular telephone communications in South America. It is also hoping to invest in telecoms privatisations in Russia and Chile.

Andrew Hill, Milan

Baxter follows the trend and unpicks its knitting

The demerger of the US healthcare group Baxter International, announced on Monday, is in several ways a classic of the genre.

First, Baxter is splitting off its manufacturing and distribution activities. Second, it is unpicking a decade-old merger with its larger rival American Hospital Supplies, which was largely designed to bring manufacturing and distribution together.

The announcement also had the classic effect of pushing up Baxter's stock price by almost 10 per cent. This might seem curious, given that the two new companies will remain closely linked.

The distribution business, which will provide hospital supplies to the US market, is to sell Baxter products on a preferential basis. These products, ranging from cardiovascular and intravenous equipment to dialysis machines, are estimated by Baxter to cover 70 per cent of the average hospital's requirements.

It might also seem curious that only two years ago, Baxter carefully considered demerging the business and decided against it. Since then, however, several things have changed.

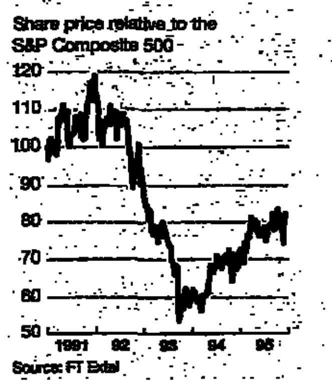
First, the market for hospital supplies in the US has got even tougher. The manufacturing business, which has more than half its sales and two-thirds of its profits outside the US, therefore has every incentive to cut itself loose from domestic distribution.

Also, Baxter's stock price two years ago was languishing at $22, compared with a high in 1991 of $40. In response, Mr Vernon Loucks, chairman and chief executive, urged his senior managers to borrow heavily and buy Baxter stock.

Hundreds did so, to good effect. Just before this week's announcement, the price stood at $38. The announcement pushed the price to $42. The reasoning seems obvious: if

Baxter International

Share price relative to the S&P Composite 500



Source: FT Extel

demergers are in fashion with the stock market – as they certainly are – then give the market what it wants.

However, one reason for the price rise goes beyond fashion. The healthcare industry is responding to cost pressures by consolidating. As Mr Harry Kraemer, Baxter's chief financial officer argues, the new *companies will both be more* attractive as merger partners than Baxter was before.

"There are a lot of companies," he says, "which might be interested in a high-growth, high-margin medical technology with international market positions, and would not want to get involved in US distribution. There are also people who would like to play a role in distribution who would not want to be involved in international manufacturing."

An outright bid for the manufacturing company, however, seems unlikely. At its present share price Baxter has a market value of close to $12bn. Of that, almost $10bn will be attributable to manufacturing.

While both the new companies will have sales of about $5bn, manufacturing is much *more profitable, with margins* of 15 to 16 per cent compared with 5 to 6 per cent for distribution. It is also growing faster, chiefly by virtue of being international.

As a result, the manufacturing business will command a higher multiple of its earnings on the stock market. Mr Kraemer will not be drawn on his own estimates of this. "It's not a question of how you divide the $12bn," he says. "It's more a hope that the combined value of the two will be more like $15bn."

However, there are tricky issues to be resolved. One concerns the legal liabilities which Baxter, like many healthcare companies, might face in future: in particular, possible damages for the sale of silicone breast implants and HIV contaminated blood products.

The bulk of those liabilities, Baxter says, will go to the manufacturing company. It also argues that its exposure has been fully provided for in its accounts. But that could be upset by nasty surprises in the courts.

The other big question is whether manufacturing *and distribution are* indeed better separated. In some other industries, the two are still being put together: for instance, in Disney's $19bn purchase of the TV network Capital Cities/ABC. Even in healthcare, Merck's $6bn acquisition of Medco two years ago was aimed at securing distribution of its drugs in the US.

Baxter, says Mr Kraemer, is different. "Our products have such strong brand names that the new company will want to distribute them anyway. There's no need to own it."

Perhaps. The impression remains that Baxter's demerger is very much in line with the prevailing fashion: take a vertically integrated business and pick it apart, with a view to possible horizontal merger with fresh partners.

Whether this is a universal panacea is open to question. But it is wonderful business for the investment banking community.

Tony Jackson

Inward investment: by Stewart Dalby

The best is yet to come

hile peace has not drawn in the expected rush of funds, prospects remain good

One of the most tangible signs yet that peace is bringing a dividend to Northern Ireland, Montupet, the privately-owned French car components manufacturer, announced earlier this month that it would be expanding its Dunmurry, Belfast, plant at a cost of £142m over the next six years.

Set up in 1989 on a site formerly occupied by another less successful Northern Ireland investment – DeLorean – Montupet already employs 450 people making engine cylinder heads and wheels. Other announcements are being made this week by inward investors, several of which have been held back to coincide with President Clinton's visit to the province.

Thus, more than a year after the ending of violence a momentum is building up, helping to lift the disappointment at the relative slowness with which new jobs have been created in the immediate aftermath of the peace process.

According to the IDB annual report, only 10 out of 76 companies assisted by the Industrial Development Board for Northern Ireland (the conduit for virtually all new investment in the province) in the year to March 1995, were new inward investors.

These new investments would be worth £130m, against which the IDB – which dispenses grants and has a powerful array of incentives to attract *foreign companies* – offered £34m, a 26 per cent level of subsidy. They will create about 2,000 jobs.

The number of jobs created by the projects in 1994/95 was 30 short of the target for the year; the IDB had been looking for 16 new investments rather than 10.

"It was always a nonsense to expect that foreign investment would come rolling in the minute the ceasefires were declared," George Hamilton, head of corporate affairs at the IDB, says.

"It can take three years to net a new investment. They are subject to all kinds of leads and lags."

Excluded from the 1994/95 figures, however, are the 1,790 jobs expected to result from the plan by Hualon Corporation of Taiwan to build a £160m textile plant outside Belfast.

This was announced in May 1994 but has been delayed pending an appeal to the European Court in which European textile and clothing manufacturers are challenging a £61m IDB grant to Hualon, claiming the project represents unfair competition. Hualon, with a projected investment of more than £140m – including the *IDB grant – would be one of* the largest outside investments in Northern Ireland.

There was a slight increase during the year to 4,502 in the number of jobs safeguarded and created through assistance to local companies or outside investors already in the province. Of a total £263m investment for local companies, selective financial assistance of £68m came from the IDB.

However, the IDB has significantly upgraded its forecasts for new investment in 1995/96 and 1996/97.

In attracting new investment Northern Ireland has had not just the "troubles" to contend with, but also its perceived peripherality. At one remove across the Irish Sea from British markets and with a relatively small population of under 2m, its economy is also handicapped by not being well integrated with that of the Irish Republic.

It suffers from structural problems common to traditional manufacturing areas in Britain such as Scotland, the north-east and north-west. Its industries, such as ship-building and textiles, have long since ceased to be the significant employers they once were.

While, for example, nearly 6,000 jobs were created and safeguarded in 1994/95, 4,500 were lost in the same period in IDB client companies through closures and contractions.

Northern Ireland has always had to offer that bit extra to attract new investment. It has the best grant regime in the UK. It can offer investors 50 per cent of the cost of new buildings and 50 per cent of new equipment. Technically it is possible to obtain a grant of 80 per cent for a new investment, although the real level is nearer the 26 per cent seen in 1994/95. A range of other aids are available.

The province also has inherant advantages for investors, however. Wage levels are about 15 per cent lower than on the British mainland. Industrial land is much cheaper than in Britain. Property costs less and the education system is of a high standard.

On top of this, Northern Ireland receives considerable support towards investment in its infrastructure from the European Union. Between 1994 and 1999, Northern Ireland is scheduled to receive £1bn in assistance from the EU, as an *Objective One area – that is*, an area designated by the EU as lagging in development.

This money will be spent on economic development – industrial aid, roads, airports and ports, tourism, agriculture and fisheries. In addition, £252m is coming from the EU in the form of special reconstruction aid in the wake of the peace process.

"This money is entirely separate from the money from the structural funds," Myles McSweeny of the European Commission says.

Northern Ireland has had, and is having, plenty of money made available to it. Since 1986, overseas investment has totalled £1.7bn involving 275 projects and creating 22,702 new jobs. The IDB reckons that overseas investment has accounted for 82,000 jobs out of a total workforce of 630,000.

A vibrant economy since the ceasefire is another encouragement to outside investors. Retailing activity has expanded, with many people coming from the Republic of Ireland to take advantage of lower prices and UK supermarket group, J Sainsbury, is planning to develop a large presence in the province.

There has been a large increase in tourist arrivals and visitors of all kinds. The Tourist Board reports that in the eight months to August this year there were 1.04m visitors, a record, and an 18 per cent increase over the comparable period in 1994. The tourist spend in the eight months was £183m.

Company output is higher and the province is growing economically faster than the UK as a whole.

Unemployment in Northern Ireland – traditionally higher than in Britain and now at 11.5 per cent – has been falling.

With this buoyancy in the economy, the IDB is optimistic. It has been greatly encouraged by the fact that four of the 10 new inward investments have come from South Korea, one of Asia's fastest-growing economies.

It is hoping for more investment from the Far East and has upgraded its targets to 20 new projects in 1995/96 involving 4,500 jobs, and to 60 new projects in 1996/7 involving 12,000 new jobs.

Providing the peace holds, the prospects are, therefore, for a rapid rise in inward investment to match the general liveliness of the economy.

Leading investments (greenfield and acquisition) 1993-1995

Date	Company	Product/service	Jobs	Investment (£m)
27/01/93	Texmaco-Polysindo Group (Indonesia)	Man-made fibres	900	95.00
05/05/93	AVM Computersysteme (Germany)	ISDN adaptors	19	0.53
10/08/93	McKechnie Vehicle Components (GB)	Fuel lines	21	0.90
27/09/93	Valence Technology (US)	Rechargeable batteries	660	76.00
28/10/93	Training & Business Group (GB)	Training services	29	0.31
17/11/93	CFM (GB)	Facilities management	70	6.00
14/12/93	MKF Folien (Germany)	Packaging	100	10.00
05/01/94	Shinsung Industrial (Korea)	Printed circuit boards	120	5.00
05/01/94	Seagate Technology (US)	R&D centre	46	15.00
01/03/94	Benelux International (Hong Kong)	CD boxes	300	36.60
19/04/94	Daewoo (Korea)	VCR head mechanisms	250	17.00
03/05/94	Schrader Automotive (US)	Pressure guages	58	2.30
06/05/94	TransTec (GB)	Car components	181	15.00
06/10/94	ABC Laboratories (US)	Contract research	60	3.00
04/01/95	Daehwa Metal Company (Korea)	VCR components	240	7.00
20/02/95	Real Software (Belgium)	Software	18	0.30
26/04/95	Seagate Technology (US)	Hard disc drive thin film recording heads	300	60.00
27/04/95	Dae Rung Industries (Radix Telecom) (Korea)	Satellite video receivers	509	18.00
12/05/95	Daewoo Electronic Components (Korea)	TV and video tuners	255	9.22
07/09/95	National Australia Bank (Australia)	Debtor finance services	67	1.40

Source: IDB

PROFILE BCO Technology

Taking the plunge

Scott Blackstone remembers a time when he used to have to negotiate a dozen army checkpoints when crossing the city to his office in Anderstown in the staunchly nationalist district of west Belfast. His company, BCO Technology, which he founded with two fellow Americans, is one of the brightest stories in Northern Ireland – a start-up research and development operation which is taking the plunge into mass production.

Three factors are behind BCO's breakthrough – an innovative product, a booming market for the product and the availability of financing. Developing a revolutionary method of processing silicon wafers for the manufacture of semiconductors, the company has now identified its customers. Pilot production started last December. By 1999 the company hopes to be turning over £50m and employing 420.

It has not been easy, especially being located in one of Belfast's roughest districts. "It's a famous area for joy riders. One morning we arrived at the office and there were three burnt out cars outside the gates," says Mr Blackstone, a Cornell graduate who started the company with his partners Jim Corkery and Mike O'Connor.

Using a new method of insulation, the company claims to be able to double the amount of surface area of the wafer, transforming the unit price of the semiconductors and other micro devices which drive motors, radios and telecommunications equipment. The company claims a 40 per cent cost saving. "We can double your volumes, and at reduced price," says Mr Blackstone.

Progress has been slow. Despite its reputation, electronics is an extremely conservative business. Getting support from the industry has been hard. One of BCO's most important prospective customers – a large US semiconductor concern – insisted the company install a plant in the US, so anxious were they about exposing themselves exclusively to a site in what was a virtual war zone.

Financing was then sought. Mr Blackstone sold his house. But the initial research capital came from the International Fund for Ireland, a fund set up by London and Dublin, and financed by US and European money, in the wake of the Anglo-Irish agreement in 1985.

The company has worked with scientists at Belfast's Queens University, which has made a specialisation in wafer bonding research. The Industrial Development Board, the government agency which approves foreign investment, also agreed to supply grants as the company started to increase its staffing levels.

Much to BCO's relief, the peace process has thrown up a new breed of financier in Northern Ireland – the venture capitalist. With support available for both the large foreign and indigenous investment from the IDB and for the smaller concern from Ledu, the local enterprise development unit, there has hitherto been a gap in the market for the small business who needed seed capital to develop a product or increase market penetration.

Venture capital provides that service to business, it also fills a gap in the investor's portfolio. "There has always been money for projects, but if an investor steps forward with £1m but no project to invest in, he needs a vehicle," says Colin Walsh, who manages the recently launched £10m Hambro Northern Ireland Venture Fund. Venture capital has until now been largely absent from the province. Enterprise Equity, the IFI's subsidiary has made some inroads. Ulster Development Capital, which was set up by Ulster Bank, the NatWest subsidiary, is fully committed.

Hambro has just completed the financing for its fund, and is starting to trawl the Ulster business scene for suitable deals. Mr Walsh expects to have a portfolio of about 20 companies and sees his role as an evangelist, out to convince the small family-owned Ulster company of the sense of using outside equity to expand the business.

Separately, in September, BCO signed a deal for £32m with a venture capital team led by Glasgow-based 3i which includes Enterprise Equity and the Dublin based venture capital company ACT.

3i is anxious that BCO rshould be seen as a local Northern Ireland company not a foreign investment, so that its success will encourage other local entrepreneurs.

Mr Blackstone agrees BCO is not a typical inward investor. "We didn't bring financing capital, we brought intellectual capital."

BCO would seem a natural target for a venture capitalist. A classic US start-up company, its decision to locate in Northern Ireland rather than the US was largely a matter of timing. The US was in recession in the late 1980s and for a start up company, the availability of grant support was critical.

Today the semiconductor industry is experiencing unprecedented demand. "If we were two years ahead, we would be ready to go public now," says Mr Blackstone.

John Murray Brown

US investment: by John Murray Brown

New deals signal growing confidence

Heightened interest in locating in the province is coming from across the Atlantic

Bruce Robinson, the new chief executive of the government run Industrial Development Board, believes investment decisions are rarely "impulse buys", although fate, it seems, does have its role.

In Derry, for example, many locals contend that Seagate's investment in the city was the direct result of a chance meeting in a San Francisco bar between John Hume, the local MP and Brendan Hegarty, managing director of the California-based technology company.

Few politicians can match Mr Hume's energies and powers of persuasion, but in the wake of the paramilitary ceasefires and the media attention the province is receiving, the whole of Northern Ireland should benefit from this new surge of investment interest – particularly from the US.

The IDB, in a move to underscore its marketing effort in the US, has just opened an office in San Jose – the home of the US semiconductor industry – and is increasing its sales staff in the US by 30 per cent.

In total, 46 US companies are in Northern Ireland, employing about 10,000 people and representing a total investment of about £500m.

The projects include wholly-owned greenfield operations such as Seagate, and equity investments through the US acquisition of local companies, as in the case of Emerson Electric of Missouri which owns FG Wilson, a local manufacturer of diesel generators. At the opposite end of the scale is the small start up company such as BCO Technology – a computer research and development unit which has just secured a £32m financing deal, led by 3i, the venture capital company, to go into production of its wafer bonded product.

DuPont was the first US investor in the province in 1959. In 1959 the US chemical giant was looking for a European base for its operations, at a time when the UK was still outside the European Economic Community, as it then was.

The plant, on a 400-acre site to the east of Derry, already represents a £400m investment, *producing a range of products* including Lycra, DuPont's trademark fashion material used in tights, cycling shorts and other clothing products, and Kevlar, a high-tech fibre used as reinforcement, for example in sails and racing cars.

When the company arrived, it was the only business in the area. In DuPont's case, direct financial support, though important, was not the decisive factor. The government played a key role, however, in providing the infrastructure, improving the roads, and linking up power and water supplies.

DuPont has had its experience of the "troubles" – one of its foreman was shot by the IRA. "To take stockholders' money for an investment in a war zone hasn't always been easy," says Mervyn Simpson, managing director of the plant.

The company says the quality of the workforce is one of the most important reasons for the plant's success. As a result of new working practices introducing new pay structures, with large work teams and flat organisation, the company says value added per employee has doubled in the past five years. "An operative can earn as much as a mechanic or as much as a technician. Compared with the rest of the UK this is very different," says Mr Simpson.

The government-run Industrial Research and Technology Unit has also played a key role in helping the company to *increase its* product development, and DuPont is now making a spinning machine and a process technology which has not been developed anywhere else in the world.

Seagate, too, has signalled its confidence in the local operation by siting one of its research and development units at the Derry plant, which with support from the IRTU is now looking at applications for its technology other than for disc drives.

The plant is a pivotal part of Seagate's worldwide operations, making read/write heads for videos and compact disc players, all of which are shipped to the company's plant in Penang, in Malaysia.

"The IDB did a great job," says Michael Caulfield, the managing director of the Derry operation. During the negotiations, when the deal had still to be signed, the IDB laid on a helicopter to fly the senior Seagate executives to Dublin to talk with Irish officials about an alternative site. "That showed a real coolness, to lay on a helicopter to take us to the rival development agency," says Mr Caulfield

The labour climate has changed with moves to end the anti-Catholic bias in employment

The factory, located at the renamed "Disc Drive" on the Derry Waterside, represents an investment of £50m and by the end of next year will have invested a total of £125m under the current expansion programme.

Demand for jobs at the plant is high. When the company advertised for 60 recruits in the company's research and development unit it received 3,500 applications. In total the company is employing 800 – 300 more than originally targeted.

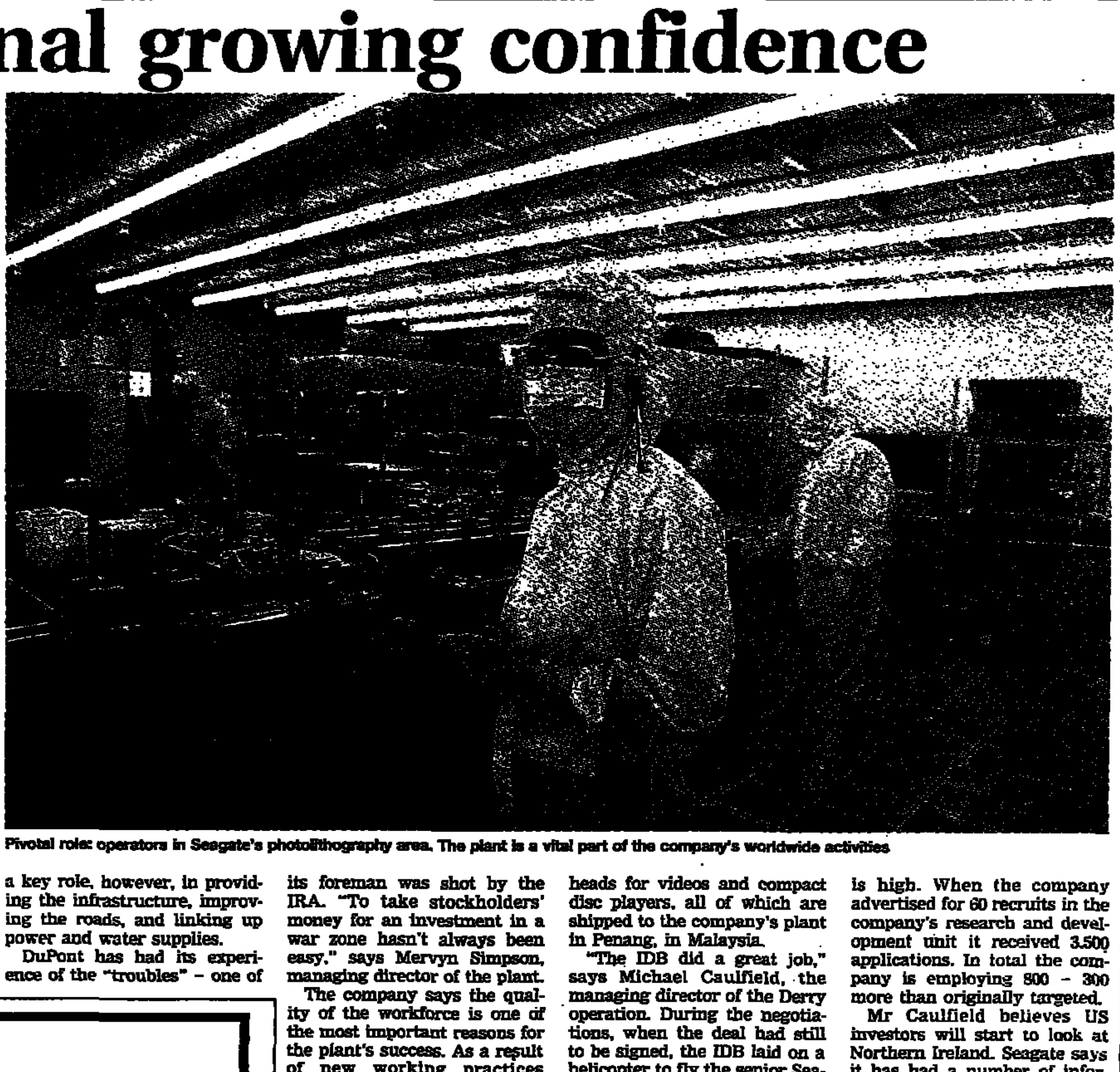
Mr Caulfield believes US investors will start to look at Northern Ireland. Seagate says it has had a number of informal approaches for advice from US companies.

The province has largely thrown off its negative image. A key factor in this has been the changes in the labour climate with moves to end the anti-Catholic bias in employment, a big issue for some of the Irish American lobbyists.

The change was underlined last month by news that Edward Kennedy, the US senator, was lobbying the US administration to buy a missile product from *Shorts* Brothers, the Belfast-based aerospace company which has often been criticised for its perceived employment practices.

Legislation introduced in 1989 forced companies to monitor how jobs were allocated to Catholics and Protestants.

DuPont's Mr Simpson says the company did not even keep records of the religion of its employees when the legislation was introduced in 1989. "I think its a relief for many investors who probably don't understand Northern Ireland." says Mr Caulfield.



Pivotal role: operators in Seagate's photolithography area. The plant is a vital part of the company's worldwide activities

هكذا من الأصل

INTERNATIONAL COMPANIES AND FINANCE

Property boom helps Ayala post 42% rise

By Edward Luce in Manila

Ayala, the Philippines' largest diversified holding company, yesterday announced a 42 per cent jump in net profits to 3.74bn pesos ($142.7m) for the first nine months.

It attributed the improvement, which comfortably outshines the performance of other Philippine blue-chip companies this year, to strong growth at its property, banking and foods offshoots. The B shares, which are open to foreign buyers, closed up almost 10 per cent at 27 pesos.

Analysts say Ayala Land, the country's largest real estate company, which saw net profits rise by 45 per cent over the past year to 2.43bn pesos, has benefited from the boom at the high end of the residential and office market.

The price of land in Makati, Manila's business district which is largely owned by Ayala, has doubled to almost 300,000 pesos a square metre since January. Condominium and office block rents have risen at similar rates.

Net profits at Ayala's banking subsidiary, the Bank of the Philippine Islands, rose 18 per cent in the first nine months while average assets expanded by 23 per cent. The bank said it had benefited from the rapid growth of the mortgage and car loan markets.

Rising consumer spending boosted Ayala's food subsidiary, Pure Foods, which reported a 33 per cent growth in net operating income. The holding company's computer subsidiary, Integrated Microelectronics, and its insurance arm, Ayala Life, also posted healthy revenue growth.

Golden route to help Eva find black

HK flights are a coup for the Taiwan carrier, says Laura Tyson

When Eva Air, Taiwan's leading private carrier, inaugurates flights to Macao's new airport next week it will mark the airline's first step into Asia's most important aviation market.

Taiwan aviation authorities awarded Eva rights to fly from Taiwan to Hong Kong and the Portuguese enclave, after a draft bilateral air services pact was signed in late October.

Taiwanese carriers are not yet allowed to fly directly across the Taiwan Strait to China. But gaining access to China's doorstep allows Eva to tap into one of Asia's most travelled paths. Taiwanese traffic to China is growing alongside fast-rising investment. It also permits Eva to establish a foothold in Hong Kong and Macao before their reversion to Chinese rule in 1997 and 1999, respectively.

Eva's entry into the Hong Kong route, reputedly Asia's most profitable, weakens its competitors and will help push the five-year-old carrier into the black.

Hong Kong's Cathay Pacific and Taiwan's state-run China Airlines (CAL) have had a duopoly on the Hong Kong-Taiwan route for two decades and were reluctant to open the route to other carriers.

"We were quite keen to get the Hong Kong route and we worked hard to get it," says Mr Nieh Kuo-wei, a spokesman for the carrier which is controlled by the Evergreen group, one of the world's biggest container shipping lines.

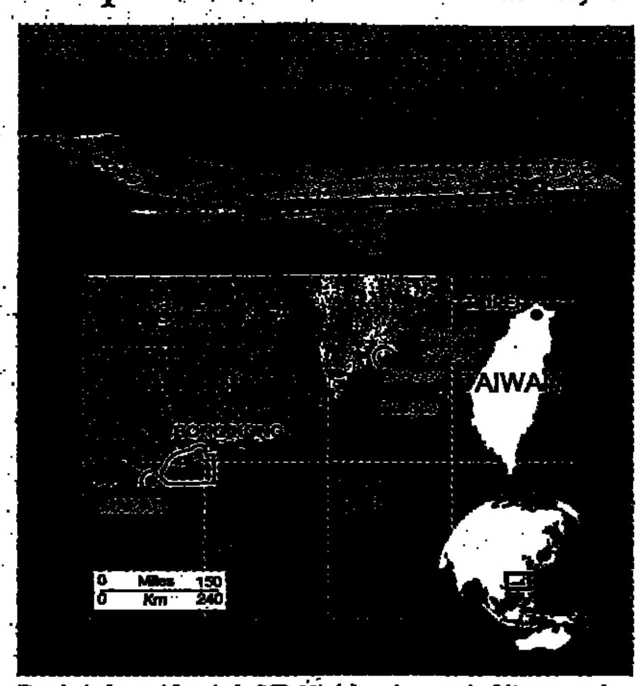
Dubbed the "golden route" in Chinese, the Hong Kong-Taipei market alone represents 10,000 seats a day, with an estimated 70 per cent of passengers en route to or from China.

Trips by the Taiwanese to China for business and tourism have have increased rapidly since the late 1980s and the majority of travellers pass through the British colony in the absence of direct flights across the Taiwan strait, banned by Taipei since 1949.

Some observers believe the ban may be lifted before Hong Kong's transfer to Chinese rule in mid-1997, but the timing of such a move is uncertain. In any case, cross-strait flights are likely to be restricted to a small number of destinations on the mainland which would ensure that Hong Kong maintained a stream of through-traffic.

Like other Taiwanese carriers, Eva is preparing for the day when direct flights are allowed, but it is proving more aggressive than its competitors. As well as expanding its fleet, the airline has taken stakes in two smaller domestic carriers.

"Eva has been much more aggressive than China Airlines in buying smaller aircraft better suited for routes to destinations in mainland China," says one transportation analyst at a foreign brokerage house in Taipei. "China Airlines seems to be concentrating on its long-haul routes."



Eva is to buy at least six MD-90s (above) as part of its expansion

Eva has spent nearly US$4bn on 26 aircraft from Boeing and McDonnell-Douglas and has recently agreed to buy six more MD-90 aircraft, with an option to buy six more. Five of these will go to Makung Airlines, which Eva took control of earlier this year. Eva also holds a 20 per cent stake in Great China Airlines, another domestic carrier. The local carriers operate the smaller jets needed for most China flights.

Despite the lack until now of the money-spinning destinations – Hong Kong and Tokyo – Eva has proved its competitive mettle on other routes. Its four-class seating and service has found favour with Taiwanese travellers.

Eva also gained when CAL suffered a fall in passenger numbers after a serious crash last year at Nagoya, Japan, and an earlier mishap in Hong Kong when one of its aircraft slid off the runway into the harbour. But CAL is not the only carrier to feel the chill.

US airlines have been cutting routes. Northwest Airlines has cut its Taipei-Seoul route; United Airlines this year dropped its Taipei-Bangkok route; and Delta has cancelled its Portland-Taipei route.

Eva now serves 25 destinations in the US, Europe and Asia and Australasia. By the end of 1995 it will have added Amsterdam, Washington, Panama and probably Hong Kong.

Originally registered as an international carrier, Eva last year muscled into the domestic market, which is fast-growing but constitutes a small portion of its revenues. It began freight services in April.

In 1994 Eva carried 2.1m passengers with an average load factor of 70 per cent for revenues of US$750m. The carrier hopes to break even this year after losses of T$976m (US$35.7m) in 1994 and T$2.2bn in 1993. That will be good news for Taiwan-listed Evergreen Marine Corp, which owns 27 per cent of Eva and whose profits have been dragged down by the carrier's losses.

Evergreen expects to list Eva on the Taiwan Stock Exchange after a few years of profits.

■ **The Northern Ireland Growth Challenge:** by Tim Dickson

Practice, not preaching

An ambitious new body aims to make the region the fastest growing in western Europe

For a region whose population is not much bigger than greater Leeds, Northern Ireland could arguably do without another business organisation, government agency or employers' representative body. The Northern Ireland Growth Challenge, however, is different.

Set up in the autumn of 1993, NIGC is unusual for several reasons. It is private sector-led in a province which all too often looks to government for a lead. Its analysis is hard hitting, highlighting the north's "insular culture" and "contented middle class" as characteristics of the "enemy within". And its target – to turn Northern Ireland into the *fastest growing region of* western Europe – is strikingly ambitious.

Over the past few months NIGC has entered a new phase in which action replaces analysis and the initiative moves out of the shadow of the Belfast aerospace group Short Brothers, its early administrative and creative engine.

Tangible results are starting to appear in the software, engineering, food processing and education sectors, and an organisational structure has begun to take shape with the appointment of regional Confederation of British Industry director Nigel Smyth as full-time NIGC director.

NIGC believes Northern Ireland's main problem is that it lacks world class sectors or what US management writer Michael Porter calls competitive "clusters" – sets of interrelated activities found in a region in firms, universities, schools, research institutes or government organisations and which act as an innovative spur to businesses in that region.

Mr Porter is not directly involved in NIGC himself but Monitor Company, a London based management consultancy of which he is a founding shareholder, is providing support for the development of strategies and action programmes aimed at transforming local attitudes and business conditions.

It is still early days but solid results are already being achieved by the 10 fledgling sector teams.

● In the software sector, for example, a newly formed industry federation is seeking to develop the export potential of member firms which hitherto have limited their ambitions largely to the local Northern Ireland market.

Links have been established with clusters in Massachusetts and the Republic of Ireland; a cross border conference was held earlier this month with a view to identifying opportunities and sharing best practice. "Contracts are starting to come from this," says Roy McNulty, Shorts president and NIGC chairman.

● The NIGC's engineering cluster has set up an aerospace task force to develop new synergies around Shorts, one of Northern Ireland's few world class manufacturing firms. Based on a model pioneered by the Cardiff Business School and the Welsh Development agency, new "supplier clubs" have been formed around companies such as AVX, Ford and FG Wilson to help members learn from their peers.

● NIGC has also been the catalyst for a new Food Processor Association, a significant development in a region where farmers and food producers are well organised but where the added value of food processing has not been fully exploited.

Management and skills training, co-ordinated R&D, and industry specific seminars are among the priorities for a sector top heavy with smaller enterprises used only to serving a local market. Mr McNulty points out that the arrival in Northern Ireland of supermarket groups such as Sainsbury and Tesco will demand greater professionalism from food processors.

● Perhaps the NIGC education, training and employment team's most interesting experiment is a plan to open up company training schemes with surplus capacity to the unemployed in the new year.

Mr McNulty, whose contribution to NIGC is widely praised in the Northern Ireland business community, acknowledges that the hard part is yet to come. "It is one thing to do the report, another to make it happen over the next few years."

A priority, he explains, is to "integrate" other players such as the CBI, the Institute of Directors, the Chambers of Commerce, trade unions and the political parties "so we can join our voices and go forward together".

Mr McNulty backs up his optimism by citing a recent remark made by the Downing Street policy adviser Norman Blackwell. "One of Northern Ireland's competitive advantages has to be its size – it has to be possible to get everyone working really closely together and to solve the problems as they are identified."

■ **The Northern Irish connection:** by Tim Dickson

Cohesion of the diaspora

Two initiatives have been set up to tap into the resources and skills of expatriates

When John Matchett left Northern Ireland in the late 1950s he turned out to be one of the region's best but least publicised exports: its talented people.

Mr Matchett worked as an engineer in Canada before establishing his own successful precision/structural engineering concern there employing 25 people.

Fortunately for Northern Ireland, Mr Matchett returned to the province in 1988, set up his Steam Plant Engineering Services Northern Ireland in Carrickfergus, employing 60. In the present climate of hope an important question in economic corridors in Belfast is whether others like him can be tempted to follow.

More than any other people, save perhaps the Chinese, Irish expatriates retain a close identity with their homeland. The cohesion of the Irish "diaspora" has been a leading factor in the success of Tony O'Reilly's Ireland funds, but recent experience shows that those with Northern Irish roots also have a part to play.

Two examples of this are the Northern Ireland Partnership, an international voluntary network of senior business and professional people, and the Make It Back Home initiative, spearheaded by the local small business development agency, Ledu.

Make It Back Home was launched earlier this year in North America with a view to attracting back more John Matchetts. The initial response exceeded all expectations. More than 200 expats showed up at the Sheraton in Toronto, against the 50 or so expected and almost 1,000 written enquiries have been received.

Ledu, says Chris Buckland, its chief executive, is dealing with 40-50 "serious" business proposals although it could take as long as a year, he says, before people make up their minds to move back. "The fact that these individuals have seen the wider world and have wider horizons is good in a region where too many local businesses tend just to see the hurdles."

Mr Buckland stresses that the campaign offers no financial incentives to the homecomers – just clear information about what is already available. He says Ledu can also help expatriates with operations elsewhere, to set up "satellites" in Northern Ireland to tackle the European market.

The mission of the Northern Ireland Partnership, meanwhile, is to help the Industrial Development Board "create and sustain viable job opportunities for the people of Northern Ireland".

The organisation has most members in Northern Ireland itself, but big branches have been formed in Great Britain, Hong Kong, Canada and the US. Dr Alan Gillespie, managing director of Goldman Sachs International and chairman of the GB branch says "the most important thing" is for IDB to use the partnership's networking potential.

"By definition we are all enthusiasts. We have all signed up to help," he told a recent meeting in London.

Leads have been provided by NIP members, none more effective than a phone call from Hong Kong-based Mongia Magill, who works for the UBAF bank putting an IDB executive on the trail of Texmaco, an Indonesian-based company. This has since announced plans to employ 900 people in two factories in the province.

The Northern Ireland Partnership, 64 Chichester St, Belfast BT1 4JX.
Tel: 01232 545256.
Ledu, Ledu House, Upper Galwally, Belfast BT8 4TB. Tel: 01232 491031

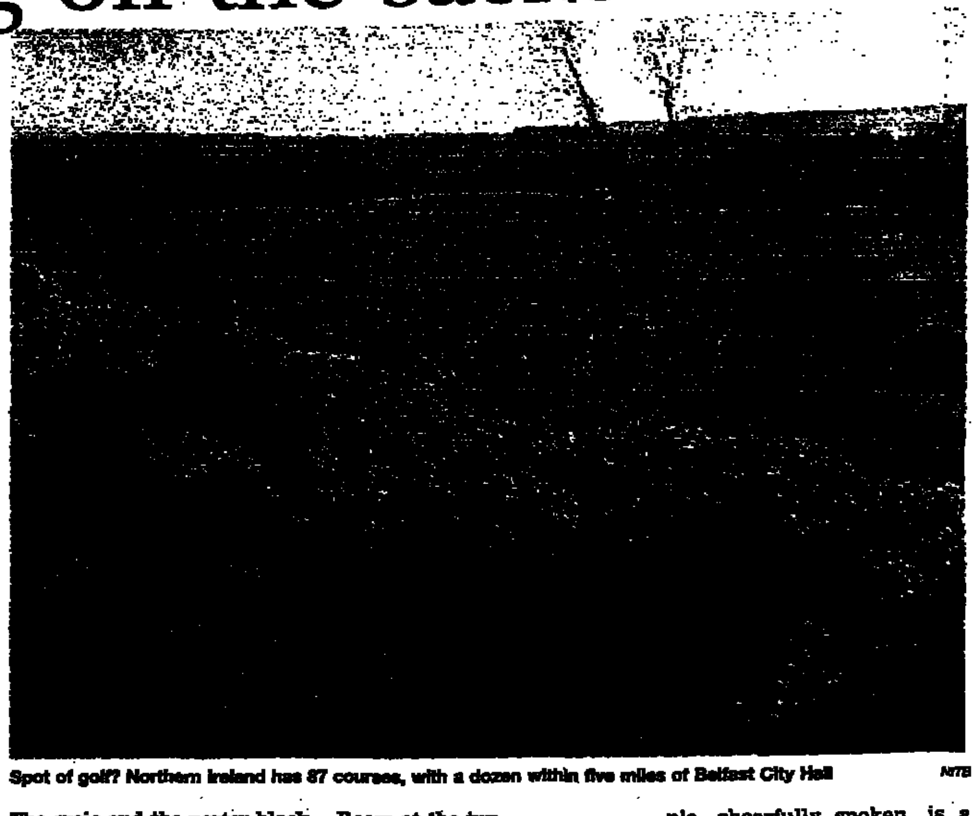
Casting off the sackcloth

Peace has made the province an alluring destination – and not just for business

At one time, Northern Ireland beckoned only to that hardy species of European backpacker who tightened the Velcro fastenings on their clothing to walk in and search for a piece of the action. Those days are gone.

Now the travelling cognoscenti will tell you that Ulster is the Next Big Thing – an untapped and untainted oasis of charming pubs and excellent views. Having once been the worst face of these islands, it now offers the best of two worlds – the economic muscle of the UK (meaning you don't have to change your money and the roads are good) matched with the effortless slant on life that is peculiarly Irish.

Investors too, it seems, will tell you that Northern Ireland is casting off its sackcloth and ashes. Overseas companies coming into the UK are giving the province 14 per cent of their investments, when it has just 2.8 per cent of the population. Economic indicators say Ulster is starting to outperform the rest of the country, and homeowners have never even heard of negative equity. But they do get a lot of rain.



Spot of golf? Northern Ireland has 87 courses, with a dozen within five miles of Belfast City Hall NITB

Politics and religion
These topics, which are supposed to go unmentioned in pubs, have plagued the province for too long, but the advent of peace has given the people of Northern Ireland a chance to shake off the gloom and kick up their heels.

And they are doing so with a vengeance. A government survey recently found that families here are spending more on leisure than most of the rest of the country. Only people in greater London fork out more to eat out, but then it takes them two hours to get home. You could go from Belfast to the border and back again in that time.

You might actually prefer to forego the journey, because in Belfast you will find Roscoff, the restaurant with Northern Ireland's only Michelin star and which has already been called the UK's finest. Or during November you can sample the delights of the second largest cultural festival in the British Isles (after Edinburgh). Or go to some of the busiest shops in the country. Or, like a lot of others, you can simply go to the pub.

The craic and the porter black
To have come through the past quarter century intact, the bar trade in Northern Ireland must be something special. From the Victorian splendour of The Crown (owned by the National Trust) to the hearty stick-to-your-ribs food of the Kitchen Bar (stew is the speciality, but try the Irish pizza), Belfast's pubs offer a warmth that has been unaffected by the "troubles".

The countryside offers its own secrets. Take off in any direction – north along the Antrim coast may be the most scenic – and you will eventually come to a pub of unforced charm, whether there is thatch on the roof or the odd bit of tin.

Stout is, of course, the drink of choice, and the craic (pronounced "crack" and meaning jolly japes) comes free.

Strange sects
Of course, there are those in Northern Ireland who object to time spent in pubs and think the days should be set aside for more sacred things.

But the golfers are usually too busy to get in the way of saner people. With 87 courses to choose from, there is no argument against some work on the old handicap, nor is there a shortage of partners.

There are a dozen courses within five miles of Belfast City Hall and the coast is densely populated with links, including the famous fairways of Royal Portrush and Royal County Down.

Room at the inn
One of the few fears associated with Northern Ireland's present tourist boom is that the province is running out of hotel rooms, although several entrepreneurs are acting to correct that. Belfast hotels, once taboo for many visitors, are now finding the trade they always yearned for.

The Europa, which once claimed the ignoble title of Most Bombed Building in Europe, has bounced back from financial woes to lay claim to being the city's finest. Its sister hotel on the outskirts of the city, The Culloden, is probably the province's finest.

Pass an estate agent, however, and you might think of more permanent accommodation. Homeowners are in the happy position of being able to buy the cheapest housing in the UK while watching it appreciate at the greatest rate. The average house still costs less than £50,000 *and* its selling price went up by 10 per cent in the last year.

Nor does a home need to be a castle. Contrary to popular notions, Northern Ireland's crime rate is low. In fact, it was lower than Switzerland's before the ceasefire.

Learning the lingo
Coming from another part of the UK is no guarantee that you will understand or be understood upon entering Northern Ireland. But you can generally pick up the gist of an expression from the context.

"What about ye?", for example, cheerfully spoken, is a greeting on the lines of "Hail fellow, well met". "You blurt got a blatter on the bap" means an unfortunate has received an injury to the head. "Away and thro' slack at yerself" means it is probably time for you to gracefully withdraw.

Down to business
For all its charms, Northern Ireland is keen to do business, which is why it is attracting more than its share of foreign investment.

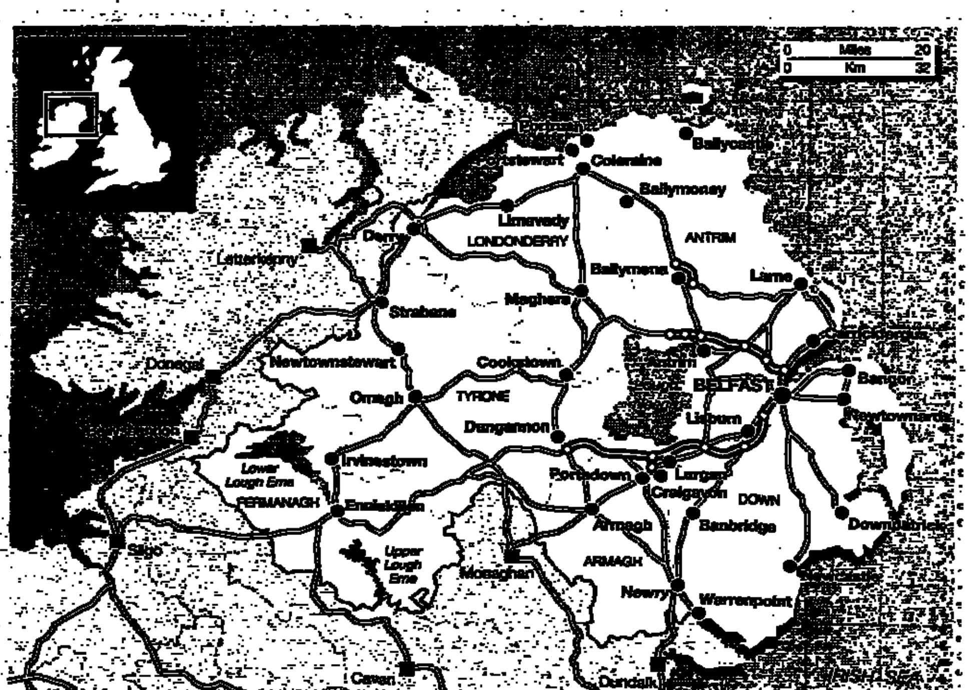
There are, of course, generous government grants for setting up in the province, combined with low overheads including low labour costs.

The infrastructure is also a bonus, especially for the emerging high-tech industry. Thanks to EU funding, Northern Ireland now has the most advanced phone system in Europe to go with ports and airports that bring business to the heart of the continent.

Talk about the weather
The big drawback is wet spells, known in other parts of the world as seasons.

However, the incredibly optimistic point out that, if global warming is for real, Belfast could end up like Rio. Realists, however, may take note: no one is yet getting rich selling string bikinis.

Compiled by Macmillan Media, Belfast



Northern Ireland Key Facts

Population	
Population	1.6m
Area	13,000 sq km
Capital	Belfast
Population (Greater Belfast)	475,000

Climate (average daily temperature)	
January-Febuary	5.9°C (49°F)
July-August	13.1°C (54°F)
Average annual rainfall	92.5cm

Economic data	
Gross domestic product	£12,360m
GDP per head	£7,574
Total personal disposable income	£10,878m
Personal disposable income per head	£6,755
As % of UK	89.6%

Politics and government

Party	Leader	Seats	%(1992)
Ulster Unionist Party	D. Trimble	9	34.5
Social Democratic & Labour Party	J. Hume	4	23.5
Democratic Unionist Party	I. Paisley	3	13.1
Sinn Fein	G. Adams	0	10.0
Alliance Party	J. Alderdice	0	8.7

Robert McCartney is an independent MP for North Down

Labour market (1994)	
Total workforce	
Employees in employment	550,700
Self employed	82,200
Work-related trainees	15,800
Unemployed	96,200
Total	744,900

Future labour supply (population: % change 1986-2001)

Age group	NI	UK
15-24	-10.0%	23.3%
15-59	+5.1%	+1.9%
15+	+8.9%	+2.2%
Total	+7.3%	+3.9%

● Labour turnover is 3 per cent in NI compared to figures of up to 30 per cent in GB.
● Overall, NI has the best industrial relations record of any UK region
● The current annual graduating force from NI's two universities is 8,300.
● Labour costs are 10 per cent lower than the UK average, 60 per cent below the German average, 40 per cent below the US average and 50 per cent below Japanese rates.

Land/house costs
Average house costs (July 1995)

	NI	GB	% difference
Detached	£76,054	£102,334	-25.9
Semi-detached	£39,492	£58,868	-32.9
Terraced	£28,070	£48,690	-43.0
Bungalow	£53,070	£67,922	-22.0

European comparative construction costs (1994)

Country	Warehouses (Index)	Offices (Index)
Northern Ireland	75	75
UK	100	100
Germany	276	179
Italy	127	141
Spain	91	59
Republic of Ireland	117	89

(Index based on cost per square metre, UK as base index, UK=100)

Traffic density
All vehicles per kilometre of road

Northern Ireland	24.32
Great Britain	631.32

Compiled by Macmillan Media, Belfast
Picture by Colin Boyle from "Parallel Realities" (Backstaff Press, Belfast)

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Savoy studies consequences of Forte action

By Scheherazade Daneshkhu
Leisure Industries Correspondent

Savoy yesterday erected barricades around its hotels by forming a committee of directors to deal with the consequences of the £3.3bn hostile bid launched by Granada for Forte.

Forte, the UK's largest hotels company, holds 68 per cent of the ordinary shares in Savoy, but only 42 per cent of the voting rights. The group includes the Savoy, the Connaught, the Berkeley and Claridge's in London.

The committee's main aim will be to maintain Savoy's independence.

Granada, the TV and leisure group, has said that it would sell Forte's Savoy stake if its bid succeeded because the group was not profitable enough. Savoy is worried that a single party would buy the whole stake and attempt a takeover.

Savoy's dual share structure has made it impossible for outsiders to take control from the charitable trusts established to preserve its independence. The price of Savoy A ordinary shares has risen by 18 per cent to £10.38 since the bid, valuing Forte's stake at £208m last night, compared with a book value last December of £144m.

Sir Ewen Fergusson, Savoy chairman, said yesterday the formation of the committee was "an entirely preparatory move". It is believed Savoy was advised that it should regard itself as under offer due to the Granada bid.

Mr Gerry Robinson, chief executive of Granada, said yesterday it had made a courtesy call to Savoy and told the company: "We're here to help."

Although Mr Robinson said he did not believe it would be difficult to sell the stake, analysts were dubious about institutions wishing to buy them given the poor, albeit improving, profit performance of Savoy.

A buyer for the whole Forte stake, or for 30 per cent or more of the voting shares, would have to make a bid for the whole of Savoy, yet would still not be guaranteed management control.

The committee members are: Sir Ewen Fergusson; Mr Ramon Pajares, managing director; Mr Alan Fort, finance director; and Mr Martin Radcliffe, director. There are also two non-executive directors – Lord Thurso and Mr John Kemp-Welch.

Cereal sweeteners bolster Tate rise to £311m

By Roderick Oram,
Consumer Industries Editor

Strong performances by cereal sweeteners and starches helped Tate & Lyle overcome weakness in US sugar to report a 14 per cent rise in pre-tax profits to a record £311.1m for the year to September 30.

"Our core businesses are in better shape than they have ever been," Sir Neil Shaw, chairman, said.

US cane sugar was the group's worst problem. Its operations only broke even because cane prices soared, while selling prices slumped under competition from a bumper beet sugar crop. Tate said the market should improve this year.

Its US cereal business had to cope with a 50 per cent jump in corn prices to more than $3 a bushel. But Tate expressed confidence that it and other processors would recoup the costs in high selling prices during the industry's annual customer negotiations currently under way.

Despite the setbacks, operating profits from North American sweeteners and starches rose to £170.9m (£147.6m). Demand was strong from food, drink, paper and industrial users of starches and cereal sweeteners from Staley, it main US operation. Staley and Tate's US sugar operations continued to benefit from investment in new and upgraded plants.

Operating profits from European sweeteners and starches rose moderately to £144.3m (£136.5m). Established sugar businesses performed well and the group continued to invest in central and eastern Europe. Amylum, its cereal sweetener and starch business, also benefited from strong demand.

Animal feeds turned in profits of £35.4m (£25.6m).

On turnover up 12 per cent to £4.71bn, pre-tax profits were struck after exceptional costs this time of £25.5m, attributed equally to European rationalisation and to the write-off of the remaining investment in its first generation Sucralose sweetener plant.

The group proposed a final dividend of 11p to make a total of 16p, up 11 per cent. Fully diluted earnings per share were 42.9p (37.1p).

Sweet success beckons in newly opened markets

Roderick Oram on Tate & Lyle's plans to expand its sugar businesses and develop its starch concerns

For a man who has spent his "whole life messing around with corn", Mr Larry Pillard has a broad view of Tate & Lyle's growth potential.

The newly chosen chief executive heir to Sir Neil Shaw is more than just a corn man. He sees opportunities for Tate to expand its sugar businesses in newly opened markets around the world and to grow its starch businesses as high technology uses for the extremely versatile product, such as biodegradable plastics, are found.

That Tate has a substantial exposure to starch and financial resources to play the role of the only global sugar company is a tribute to Sir Neil's 15 years as chief executive.

When he arrived in 1980 from Redpath, Tate's Canadian sugar subsidiary, the parent company was a shambles. In the last throes of family management, it came close to going bust in the late 1970s when sugar prices collapsed. It also made a string of bad investments ranging from shipping to sugar production in the US.

Sir Neil turned the company around, producing good results in the early 1980s. But the group strayed again in the mid-1980s in a number of deals, including a failed bid for Brooke Bond, the food processor, and in a curious flirtation with US plastics making.

The building blocks for its present robust health were laid in the late 1980s. Tate realised that health conscious food and drink producers and consumers demanded other types of sweeteners besides sugar. Processing corn to produce high fructose corn syrup looked like the most promising sweetener opportunity, producing some profitable starch sidelines as by-products.

"Neil was particularly visionary on how the industry had to hedge its bets across the whole range of sweeteners," Mr Pillard says.

The chosen vehicle was AE Staley, the Illinois-based corn miller that Tate acquired in a $1.48bn hostile takeover in 1988. The deal bought it 25 per cent of the US market for high fructose corn syrup. One of Staley's shareholders was the Callebaut family, owners of Amylum, a Belgium miller and starch producer. Tate has a 63.3 per cent share in Amylum.

Tate also vigorously expanded its sugar business, particularly in the US and invested heavily in Sucralose, a high-intensity sweetener to compete against artificial products such as aspartame. Sucralose is selling strongly in Canada but is still awaiting US regulatory approval.

Staley required a lot of sorting out, first in peripheral disposals and then in improvements to manufacturing and management. The latter proved problematic for Tate. Mr Pillard was hired in 1992 to take on Staley, the group's "thorniest problem," according to one analyst.

About 80 per cent of Staley's profits now come from corn sweeteners. The US market has grown by 4.6 per cent a year between 1990 and 1994 and demand continues apace from US drink producers. The rest of Staley's profits come from non-sweetener uses of corn such as starch for food products.

Mr Pillard believes there could be many high technology uses for starch. Ways are being developed to use dextrose, its basic building block, as a feedstock substitute for petroleum in areas such as fuels, plastics and solvents. Moreover, it is an environmentally friendly fermentation medium for a range of other processes.

Meanwhile, sugar, long seen as a commodity with dull prospects in mature markets, has over the last four years gained a new lease on life. Every previously closed market in the world has started to open up, with the exception of Japan.

Out of total investment of £539m between 1990-95, Tate has poured £129m into developing markets of which £73m was spent last year alone both on sugar and starch.

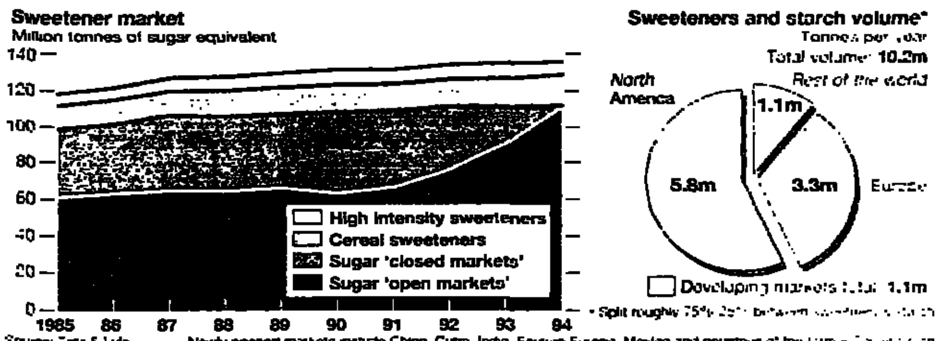
Investing in countries across central and eastern Europe, Africa, Asia and Mexico, Tate is the only sugar company with a global reach. As living standards rise, so will the demand for sugar. As country markets almost always fall to a few big players, Tate is well placed to produce that sugar and seems to have the cash-flow to make the necessary investment as long as profits hold up in mature markets.

Developing markets account for about 10 per cent of Tate's production volume of starches and sweeteners, but that could rise to 25 per cent within three years and 33 per cent in five years, Sir Neil says.

Making profits is another matter. Developing markets broke even for Tate in 1994 and made pre-tax profits of £4m in the year to September. As investment trails off and volumes build so should the profits, the company believes.

Mature markets are a another challenge. By being the most efficient processor, Tate can maximise its profits and minimise losses through commodity cycles. In US cane sugar, for example, it broke even this year while everybody else lost heavily. It is this cylical nature above all else that keeps investors cautious on Tate, however much they admire its expansion strategy. Breaking free might prove more of a challenge than cracking new sugar markets or finding new uses for starch.

The sweeteners market opens up



Source: Tate & Lyle

Newly opened markets include China, Cuba, India, Eastern Europe, Mexico and countries of the former Soviet Union

JLI shares dip on snack trend warning

By Katrina Lowe

Continuing problems at its snacks division resulted in a 7p fall in shares of JLI Group to 62p.

Mr Yoav Gottesman, chairman of the food processing and snacks group, said that because of disappointing trends in the nut sector, the group had decided to close its snack processing facility in Bootle, Merseyside. A related charge of £800,000 would be taken in the second half.

Analysts are expecting the group to achieve pre-tax profits of between £3.2m and £3.6m for the full year, excluding exceptionals. In the 12 months to March 31, pre-tax profits fell to £3.64m (£4.06m) after a £320,000 restructuring charge.

The benefits of the disposal of the Jack L Israel import and distribution subsidiary were reflected in the results reported yesterday for the six months to September 30.

Pre-tax profits rose from £1.73m to £2.84m aided by a £1.4m exceptional gain from the disposal. The group said that gearing had been reduced from 87 per cent to 36 per cent.

Sales of £40.7m (£54.3m) included £34m from continuing operations. Operating profit fell to £1.79m (£2.23m).

The interim dividend is maintained at 1.65p, payable from earnings per share of 5.7p (2.8p).

NEWS IN BRIEF

CAPITAL & REGIONAL Properties announced an £8m expansion and refurbishment scheme by Safeway Stores of its anchor store at the Aylesham Centre, Peckham, London. The scheme will extend the store from 36,000 sq ft to 52,000 sq ft.

CAVERDALE subsidiary, Godfrey Davis Motor Group, is to acquire Stanro Holdings and Clark Lawrance for up to £1m. Stanro holds the Rover and Proton franchises for Leicester and in addition, is the Unipart corporate wholesaler for the city. Clark holds the Rover franchise for Luton and Dunstable.

GRAYSTONE is to acquire Lighten Point Corporation Europe, a distributor of automotive electrical components, for an initial £2m, with a further profits-related amount of up to £2m.

SERIF shareholders have approved the joint venture with Schlumberger relating to the business of Cowells Cards.

RUGBY ESTATES has paid up to £3.05m for a 50 per cent interest in ICP Properties, which was formed to buy, for an initial £2.25m, some property development interests from ICP Developments and Artona Holdings.

UNILEVER expects to reach agreement on the purchase of PCH Diagnostica, the distribution business subsidiary of OPG Group. The consideration is not significant to group assets. PCH is a distributor in the Netherlands for Oxoid microbiological tests and Clearview diagnostic tests supplied by Unilever's Unipath subsidiary.

ZENECA has won US approval for Zestril to be used in heart attack cases. Zestril, Zeneca's biggest selling product, is one of a group of heart drugs called Ace-inhibitors that are normally used in patients with heart disease. It is the first to receive US approval for use in the first 24 hours after a heart attack, according to Zeneca.

Sema pays £23m for French stake

By Christopher Price

Sema, the Anglo-French computing services group, has paid FFr174m (£22.9m) for a 40 per cent stake in a French outsourcing company, with an option to take a further 10 per cent.

TS FM Holding, a subsidiary of France Telecom, the French state telecoms group, specialises in the management of data processing activities on behalf of clients and also provides software maintenance and development services.

In 1994 its pre-tax profits amounted to FFr34.1m on sales of FFr515m. About half of turnover is related to business with France Telecom which has an interest in Sema through its minority holding in Financire Sema which in turn has 41.5 per cent of Sema.

Sema will manage TS FM operations as part of its group outsourcing operations. Payment will be made from cash resources – it had £34.7m at June 30 – and existing borrowing facilities. The option to buy a further 10 per cent of TS FM for £5.9m is exerciseable between April 1 and December 31 1997.

Last month Sema announced it was in talks to acquire Cisi, the computer services arm of the Commissariat a L'Energie Atomique, the French government agency, in a deal thought to be worth about £60m.

■ **Politics:** by Nikki Tait

Sound and fury, signifying little

The protagonists have locked horns, but uncertainty still surrounds the election

Two months ago, Mr John Howard, leader of the federal opposition, dispatched a customised truck displaying details of Australia's foreign debt to marginal constituencies. The same week, Mr Paul Keating, Australia's prime minister, donned a "man-of-the-people" mantle and made a guest appearance in the commentary box at the Rugby League final.

At that point, Australians knew the political gloves were off, and the federal election campaign had begun.

Rumbustious political jousting has continued ever since, with Labor government ministers missing few chances to swing into their opposition opponents, and vice versa. But, for all the heat and fury, more uncertainties than known facts surround the impending poll.

The first is the date on which it will take place. The election must be called by May 1996 but, as yet, the prime minister has given no indication of his preferred timing. His only public comment, repeated several times, is that it will be a 1996, not 1995, date.

Many pundits favour March. January is the height of the Australian summer, when schools are closed and many families are on holiday. In February, when everyone goes back to work, formal campaigning could usefully begin.

After March, a poll could complicate the budgetary timetable, despite the decision to push back the next budget from May to August. If Labor is returned to office, and the new government is to have any hope of approaching a 1995-96 budget surplus, it would need to complete a multi-billion dollar sale of its shares in Commonwealth Bank before end-June – a privatisation that ministers have said will not take place until after the election.

> The opposition leader has made clear that he will not unveil any policy details until shortly before the poll

March, moreover, was auspicious for Labor three years ago, when Mr Keating grasped a comfortable victory despite near-universal warnings of certain defeat.

Even so, the prime minister can be expected to watch the short-term economic cycle very closely.

The jury is out on whether Australia will be able to implement an interest rate cut in the next few months, a move that would bolster Labor's standing among mortgage-paying voters. Sceptics note that the Reserve Bank, Australia's central monetary authority, has stressed the need to be vigilant on inflation, and is keen to be seen to be independent of government manipulation. It would want to rationalise a rate cut on fairly compelling economic grounds.

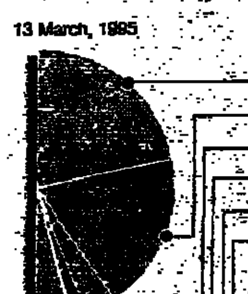
But there are also some signs that the economy is slowing sharply. If US rates ease again, it might yet be possible to justify a similar downwards movement in Australia. The possibility of this scenario developing could stay Mr Keating's hand on the election trigger.

The second unknown is precisely what issues will dominate the campaign.

The government and opposition – a coalition of the Liberal and National parties – share common ground on a number of policy areas. These include the need to engage with the Asia-Pacific region, the lowering of trade barriers and the desire to increase savings, although some differences persist on how these objectives should be reached. There is bound to be pressure from the opposition over the government's handling of the economy, and from the government over the opposition's stance on industrial relations.

Commonwealth parliament election

13 March, 1995



House of Representatives	First preference votes
Australian Labor Party	4.751m
Liberal Party	3.888m
National Party	0.758m
Australian Democrats	0.397m
Country Liberal Party	0.035m
Others	0.746m
Formal votes	10.577m
Informal votes (spoilt ballot papers)	0.324m
Total	10.900m

Figures rounded up

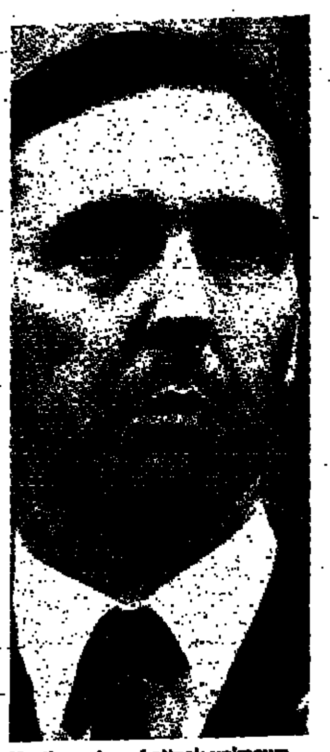
Already, Mr Howard has taunted the government with the claim that Australia has seen just "five minutes of economic sunshine" in the current cycle, and done too little to tackle the structual deficiencies that leave the economy vulnerable to balance of payments "crises".

Conversely, Labor has raised the spectre of wage inflation and industrial unrest should the decade-old "accord" between the government and the Australian Council of Trade Unions (under which the latter pledges a degree of wage restraint in return for social policy commitments) be abandoned. It has also painted a potential Howard government as being socially divisive.

But until the opposition offers a detailed policy package to the electorate and Labor chooses its targets of attack, the election battlelines cannot be fully delineated. This may not happen for several months. Mr Howard has made clear that he will not unveil any detail until very shortly before the poll. In the meantime, he is working through a series of "headland" speeches, long on nicely crafted phrases and largely devoid of substance.

From a political perspective, this strategy looks both understandable (given the extent to which his predecessor's "Fightback" manifesto was savaged by the government in the run-up to the last federal poll) and largely successful. It has kept the rapacious Canberra media focused on the government and allowed the opposition to maintain a clear five to 10 percentage point lead in the opinion polls.

But, at some stage, a more detailed policy statement will be required, and then, who knows? It is this uncertainty that convinces many pundits that the election outcome will be a lot closer than the polls currently suggest. Labor, after all, went into the 1993 election trailing its opponents, and subsequent market research indicated that 20-30 per cent of voters made their decision in the last few days.



Keating: plan of attack unknown

If a close-run race is in sight, marginal constituencies will be critical. Already, the focus is on Queensland. Earlier this year, Queenslanders voted in state elections, and Mr Wayne Goss, generally viewed as a popular incumbent Labor premier, came within a whisker of losing control. The anti-Labor swing was 6.3 per cent. If this was repeated in the federal election, Labor would lose 10 of its 13 federal seats in the state.

(Overall, Labor holds 79 seats in the House of Representatives, compared with the opposition's 66, and two independents – and whichever party controls the House of Representatives, forms the government. Neither the ALP nor the Liberal-National coalition is likely to secure a majority in the Senate, which works on a different voting system.)

Not suprisingly – but for different reasons – both parties have been keen to play down the implications of the Queensland poll. There were some specific factors that weighed against the Goss government, including controversial road-building plans around Brisbane and ham-fisted campaigning. Moreover, the crucial allocation of preference votes is handled slightly differently in federal and state elections.

But already both party leaders have been stepping up their visits to the Sunshine state – to the point of treading on each other's heels. Asked recently if Queensland was a particular problem for Labor, Mr Keating neatly side-stepped the question: "If you don't regard everything as a problem in the run-up to an election, then there's something wrong with you," he retorted. On that score, at least, Mr Howard would probably agree.

■ **Economy and trade:** by Peter Montagnon

Held back by Achilles's heel

The export-led recovery will be fragile until the level of savings increases

The Australian economy had two notorious weaknesses before serious efforts at restructuring started in the late 1980s. One was its vulnerability to cycles in which periods of rapid and inflationary growth were followed by sharp retrenchment. The other was a strong propensity to import. This led to deficits on the current account balance of payments and a large accumulation of foreign debt.

Thanks to deregulation and tariff reductions, the first problem seems to have receded. Australia has enjoyed 16 consecutive quarters of economic growth without excessive pressure on wages, admittedly partly because unemployment has remained high at around 8.5 per cent. Growth is decelerating but most economists expect a soft landing. Gone, apparently, is the traumatic recession of yesteryear.

The second problem looks more intractable. During the recovery Australia built up a current account deficit of nearly 6 per cent of gross domestic product. Though it is starting to decline as the economy slows, most agree that the structural deficit is too high to be sustained over the medium term, especially since the country's net foreign liabilities now amount to AS260bn (£122bn) or 57 per cent of GDP.

Growth in exports as the recovery has continued highlights the main reason for the payments weakness all too clearly. "Australia's balance of payments problem is caused emphatically by lack of savings, not lack of competitiveness," says Mr Don Stammer, chief economist of Bain and Company. Getting savings back on track has become a medium-term policy priority.

For the time being the situation looks manageable. The turn in the cycle is starting to help. Growth slowed to 3.7 per cent in the year to June and the current account balance of payments has fallen sharply from its monthly peak of A$3.2bn in May. The shortfall has been financed easily, with growing emphasis on inflows of direct foreign investment, which create less of a servicing burden than debt and are less volatile than portfolio flows.

Yet economists say the helpful stage of the cycle should not be allowed to mask the continuing need for structural change. From a short-term perspective there may be little more than a dip in growth to worry about. The longer-term future is still not secure.

> 'The balance of payments crisis is caused emphatically by lack of savings'

Currently the main concern is upward pressure on underlying inflation. Forecasters at Macquarie Bank expect it to reach 3.2 per cent by the end of the year, which is above the central bank's target range of 2 to 3 per cent and high by the standards of other industrial countries.

Economists expect output to slow further next year. Mr Bill Shields at Macquarie Bank forecasts real economic growth of 2.5 per cent to 3 per cent in the calendar year 1996 compared with 3.5 per cent this year. Bain's Mr Stammer believes the end to the drought in Australia and the lack of "monetary overkill" mean the economy could re-accelerate quite quickly, with growth rising back to 4 per cent next year. Much depends on whether the Japanese economy recovers, he says.

While views vary about the extent of the slowdown and the timing of any subsequent rally, most commentators accept that the new vigour of manufacturing exports has helped sustain the recovery. Australian industry learned to compete as protection was unwound, and its contribution to the trade account has increased.

Mr Steve Prytz of the Australian Manufacturers Council says that, at present growth rates, the new manufacturing exports have created room for the economy to grow around 1.5 per cent a year faster between now and the end of the decade than would otherwise be the case. "Without these guys the shutters would have to come down a lot quicker," he says.

The snag is that this is only part of the answer to Australia's structural problem. Expanding trade in manufacturing may have created leeway for some additional imports, but it has not been sufficient to close the deficit.

There are limits to the scope of the export recovery. Australia is coming up against more trade barriers elsewhere, especially in products such as processed food where it has a natural advantage. Hence its determined push for free trade within the Asia-Pacific region.

Manufactured goods still make up only a third of total exports, with high value-added goods accounting for less than a quarter. Try as it might to diversify, Australia remains dependent on resources. Industry would find it hard to remain vigorous if there were ever another commodity boom.

For the longer term, Australia still has to tackle the root cause of its payments deficit. "Capital flows are driving the current account, not vice versa," says Mr Richard Snape, economics professor at Monash University in Melbourne. Australia is simply not saving enough to finance its domestic investment requirements. The deficit is the counterpart of the foreign capital flows needed to make up the shortfall.

If there has been a policy weakness, it has been a failure to build up domestic savings. Personal savings rates in Australia are notoriously low – thanks, some argue, to the pervasive welfare systems – and the government has been slow to tackle its own budget problems.

The latest budget provides for a small surplus, but only after asset sales of A$5.35bn. Moreover, only about a quarter of planned budgetary savings were due to structural tightening. Australia has further to go in this area. Though the government is predicting a growing cash surplus in each of the next two years, such forecasts must be hostage to what happens in the elections.

The budget also provided for a sharp increase in pension fund contributions in the medium term. This will be partly financed by government in lieu of tax cuts, but will also require an increase in employee contributions. Having recognised the limitations on its own ability to save, the government is compelling individuals to save instead. The measure is being phased in gradually. If all goes according to plan, there should be a substantial rise in the savings rate around the turn of the century.

The great uncertainty is how the public will respond. Some fear an inflationary increase in wage demands to offset the increased payments to pension funds. Inevitably, a real increase in personal savings will mean a slippage in retail spending. The government may come under pressure to reflate the economy by relaxing its fiscal stance.

That might turn out to be the real crunch. Australian industry may have passed the competitiveness test, but the even more important national savings test is yet to come.

Age-old problem: pensioners are currently unlikely to have saved much

A branch of the big-league bank, Westpac, which recently received approval for a bid to buy Challenge Bank for A$730m

Fergus Wilde

■ **Banking:** by Peter Montagnon

Cash surplus drives change

Banks are spending a surfeit of capital on takeovers, technology and share repurchases

Having too much capital is less of a problem for bankers than having too little. But it can still be difficult, as Australian banks are finding out.

Profitability and capital ratios have improved as the excesses of the last recession work their way through. Bad debts are no longer a drag on profits, but Australia's reinvigorated banks now find themselves short of opportunities in a market that has too many banks and is vulnerable to competition from newcomers such as independent mortgage lenders.

The choices are stark. Banks must either blow their surplus capital on loss-making loans; spend it on acquisitions; or splash out on expensive technology designed to reduce costs and generate fresh income through the introduction of new products. Alternatively, they can give the cash back to shareholders.

Many institutions have chosen strategies that combine all four options. The most conspicuous effect of competition on banks this year has been a rash of takeovers in the regional banking market. A restructuring of the industry is under way. Former building societies that acquired banking licences in the deregulation of the past decade are seeking to consolidate and secure market share.

In the space of a few months, Advance Bank, headquartered in Sydney, bought BankSA in Adelaide for A$730m (£344m); Westpac, one of the big four, received approval to buy Challenge Bank for A$690m; and Bank of Scotland bought BankWest from the state government of Western Australia for A$900m.

"I suspect that Australia has more generalist banks than it can support in the long run, and that pressures for consolidation will persist," Mr Graeme Thompson, deputy governor of the Reserve Bank told a recent conference. "This will promote the efficiency of the banking system and should be in the long-term interests of bank customers."

The process may be painful. The attitude of the competition policy authorities is unclear. Bankers have long assumed that the government would not allow the acquisition of one of Australia's four biggest banks by another. In connection with the Westpac bid for Challenge, Professor Allan Fels, head of the Trade Practices Commission, spelled out that in his view that at least one strong regional bank should also survive in each state.

> The problem now facing banks is that of finding lending opportunities

That seems an excessive number of institutions in a market of Australia's size. Mr Don Mercer, chief executive of Australia and New Zealand Banking Group (ANZ) compares Mr Fels with King Canute trying to hold back the waves. Rationalisation is inevitable because there is a surplus both of capital and of distribution capacity, he says.

"The branch network is largely static, but there is a huge new automatic teller network and electronic funds transfer at point of sale is growing very fast. By OECD standards it's already very substantial," Mr Fels comments. "You have to add to that telephone banking and personal computer banking. We've got all sorts of new participants. Rationalisation of that can confidently be expected."

One reason why the present merger wave may not go far enough is that the potential cost savings are small. These takeovers are not like the merger of Chemical and Chase in the US, which was driven by the need to cut costs, says Mr Stephen Kench, a banking analyst with ANZ McCaughan, though there will be some branch closures. Mergers and takeovers will also make investment in information technology more economic.

"Banking is all about customers, and how you service them better than your competition – and that's about technology," says Mr Don Argus of National Australia Bank. "Once you get down to that there's a huge capital spend involved, and then you come to economies of scale."

The use of more sophisticated technology is growing rapidly, he says. But he warns that there is room for error because the public may not be ready for some of the products on offer. "The big mistake bankers who are running a regional bank will make is to go out and have wholesale [branch] closures without educating their customers in the new way of delivery," he concludes.

At least bad debts are not a problem at present. With the economy apparently heading for a soft landing, there is unlikely to be the kind of shock bankers experienced in the last recession. ANZ McCaughan's Mr Kench says that the quality of new assets being booked is relatively high and likely to remain so for a couple of years.

The problem facing banks is more that of finding lending opportunities. The new non-bank mortgage companies are taking around 10 per cent of new housing loans. The banks are fighting back by offering extra services such as credit cards and low "honeymoon rates" for the first year. But there is little doubt that margins will come under pressure.

Similarly, high quality corporate lending opportunities are expected to become scarcer as pension funds grow and a move to securitise debt gathers pace. Some of the larger banks are trying to offset this by expanding abroad.

National Australia Bank, which was the least affected by bad debts in the last recession and is therefore now the best capitalised of the big four, recently bought Michigan National in the US and announced that it is seeking further acquisitions there. The purchase is part of a strategy of running a federation of regional banks in economies where there is strong growth, the bank said.

But banks are also paying back capital. Westpac announced last month that it would seek authorisation to buy back some of its shares. Commonwealth Bank plans to do the same thing when the federal government sells its remaining stake and ANZ Bank has bought back an A$500m issue of preference shares.

This is a sign that banks are considering alternatives to mergers in disposing of surplus capital. It is still not a priority. Paying back capital always carries some stigma for managements that fear they will be perceived as having run out of ideas. Australian banks are still keen to compete, however meagre the returns.

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COMPANY NEWS: UK

Swalec rejects Welsh Water's initial offer

By Peggy Hollinger

Andrew Walker: offer would have to be 'north of 900p'

Welsh Water was yesterday sharply rebuffed by its bid target Swalec, following an indicative £781m offer which the regional electricity company described as "totally unacceptable".

Welsh, which said it was prepared to offer between 825p and 840p per share, is expected to return this afternoon with a higher bid after Swalec announces its interim results.

It is thought likely to pitch the latest offer at between 880p and 900p, valuing Swalec at £837m.

The offers exclude the value of the National Grid, the transmission company which is being demerged from the 12 regional electricity companies next month. The value of Swalec's grid holding is estimated at about 220p per share.

The signs last night were that Welsh's revised offer would also be unacceptable to Swalec. Mr Andrew Walker, Swalec's chief executive, said any offer would have to be "well north of 900p" to win his board's recommendation. "This thing is all about shareholder value," he said. "We believe they have got to go much higher." He also noted that, after adding back in the grid value, the indicative offer remained substantially below Swalec's closing share price of £10.89.

However, it is likely that should Swalec's board hold out for a much higher offer than 900p, Welsh will decide to launch a hostile bid.

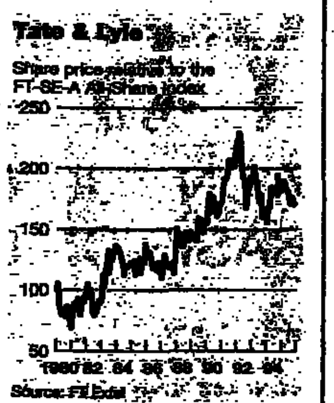
Welsh Water is coming under strong pressure from its shareholders and the market not to overpay. The company's opening shot was welcomed by the market as having been pitched at a prudent level. "It is a slight sign that Welsh Water will not overbid," said one analyst. "But they will certainly have to come in at a higher level to win."

Institutions indicated they might be prepared to see Welsh Water increase its offer. It is believed that investors are keen on Welsh securing a recommended offer, which would allow Swalec's management to stay on.

Welsh Water's offer is likely mostly in cash with a smaller share element. It also plans to make a cash alternative available to Swalec's investors, at a discount to the cash and share offer. About 75 per cent of the offer is likely to be funded by debt, with the rest raised through a rights issue.

LEX COMMENT

Tate & Lyle



Tate & Lyle's impressive 1995 results were built on a remarkably narrow base. The group's £129m investments in developing markets since 1990 generated only £4m in profits. Meanwhile, the US cane sugar business, Domino, which at its peak contributed over $70m, did well to stay in the black, against a backdrop of high cane prices and a bumper beet harvest. Staley, the US starch subsidiary, showed why Mr Larry Pillard, its president, is to be Tate's next chief executive. It now accounts for almost 40 per cent of group profits and it further boosted margins, despite recent capacity increases in the North American high fructose corn syrup industry. However, Staley will struggle to pass on the soaring cost of maize to its customers, providing the prospect of no growth in group profits, before exceptionals, in the current year.

Nonetheless, the shares are trading at a 25 per cent discount to the market, based on 1996 earnings forecasts. This ignores the eventual benefits of Tate's push into emerging markets, where it is confident of achieving its target 20 per cent return on investment. Of course, Mr Stephen Brown, the last new chief executive at Tate, found it impossible to work in the shadow of Sir Neil Shaw, long time chairman, and the impact on the share price was dramatic. Mr Pillard, however, has already proved himself within the organisation, reducing the prospect of unpleasant surprises. Given Tate's consistent market outperformance, the shares could be given the benefit of the doubt.

Float considered by Littlewoods

By Neil Buckley

Family shareholders of Littlewoods, the retailing and pools group, have been told that their best option for realising the value of their stakes may be a partial flotation of the group.

Flotation of part of the equity would be a landmark for the UK's largest remaining family-owned company. Littlewoods has previously rejected attempts to float on the London stock exchange and is currently facing a potential £1.2bn takeover bid from Mr Barry Dale, a former chief executive.

However, Mr Michael Gatenby, a former deputy chairman of Charterhouse Bank who is advising the company, is understood to have said that flotation might not be possible for several years, until Littlewoods' trading performance improved.

Mr Gatenby told a shareholder forum attended by most of the company's 32 shareholders over the last two days that options included taking no action in response to a takeover approach, a buy-back of shares, a break-up and full sale of the group.

Mr Gatenby told shareholders, all of whom are members of the Moore family, that they should not feel pressured into co-operating with the recent takeover approach from Mr Dale, and his Bidco consortium.

Mr Dale's request for access to Littlewoods' books to allow him to put together a formal bid was not formally discussed and support among shareholders is unclear.

But insiders believe a resolution not to co-operate with Bidco, proposed by Littlewoods' board, is likely to achieve the required simple majority at an extraordinary shareholders' meeting in Liverpool next week.

Mr Gerald Raingold, deputy chairman of Dawnay Day, the investment bank advising Mr Dale, urged shareholders not to turn their back on the bid. "Shareholders can continue to study flotation, but why close off our option, which probably would produce substantially more money for them?"

Several shareholders also inquired about the offer of a share buy-back worth up to £250m if they voted against co-operating with Mr Dale, contained in a circular to shareholders last week.

Analysts suggested Littlewoods' poor trading performance would rule out a quick flotation – shareholders have been warned profits this year are likely to be below last year's £116m, on £2.72bn turnover.

Chairman's five year contract opposed

By William Lewis

Leading shareholder institutions will today vote against the re-election of one of the last remaining public company directors in the UK with a five year rolling contract.

Sir Geoffrey Leigh, chairman of Allied London Properties, has a service contract which entitles him to five years notice. Last year he received a salary of £300,000 and would, in theory, be entitled to a pay off of £1.5m if forced out.

The contract contravenes the recommendations of both the Cadbury and Greenbury committees.

Representatives of Hermes, formerly PosTel, and ESN, the UK's third largest pension fund, said they would be voting against the re-election of Sir Geoffrey.

Sir Geoffrey, a trustee of the Thatcher Foundation and a fund raiser for the Conservative Party, said two other institutions had contacted him ahead of today's annual meeting to express concern.

However he would not agree to change his contract before the meeting. Instead he intends to resign from the company's remuneration committee on December 8 and "leave it to them to decide".

Leicester shortfall hits Leslie Wise

By Motoko Rich

Shares in Leslie Wise, the clothing company, fell 8p to 46p yesterday after the group warned that difficult trading at its Leicester operations would reduce annual profits by nearly two thirds.

It predicted pre-tax profits of about £1m for the year to November 30, down from £2.92m.

Mr John Gowers, chief executive, said orders at Ladies Pride, the garment manufacturer, and Saffron Knitting, the knitted fabric maker, were insufficient and both businesses would be lossmaking. However the losses would not recur.

He added trading in the rest of the group, which accounted for 90 per cent of turnover, was going "extremely well".

Hot weather adds £500,000 as Marston rises by 14%

By James Harding

The hot weather added £500,000 to interim profits at Marston, Thompson & Evershed, the regional brewer, according to Mr Michael Hurdle, chairman.

The Burton-based company saw pre-tax profits rise by nearly 14 per cent to £13.9m (£12.3m), in the 26 weeks to September 23. Sales rose by just over 11 per cent to £85.2m (£76.6m).

The results exceeded market expectations and the shares rose 6p to 312p.

Mr David Gordon, managing director, said that, apart from the hot weather, the improved performance was underpinned by strong growth in free trade beer volumes and increasing profits at Marston's managed houses.

"We are pretty pleased with these numbers which give a positive reflection of the state of the business," he said.

While the summer saw overall beer volumes rise by 3.4 per cent, sales of cask-conditioned ales, such as Marston's flagship Pedigree bitter, slipped by 1.8 per cent.

The company is considering development of a new brand using a nitrokeg – to make the beer less gassy – to rival Caffrey's Irish Ale, produced by Bass. Marston's product could come on stream next year.

At the managed houses, retail profits jumped 19 per cent, assisted by rapid growth in food sales which now represent 29 per cent of total managed house sales.

The benefits of selling off the lower end of Marston's tenanted estate also showed, as tentanted outlets returned to growth with volumes up 1.6 per cent. A further 39 properties were sold in the first half, and more tenants are now tied into agreements that demand higher rents in return for discounts on drinks.

Marstons has 233 managed houses and 644 tenanted.

Take-home sales, which still represent less than 10 per cent of turnover, are growing fast, up 38 per cent on last year.

Earnings per share were 11.2p (9.9p). Marston's lifted the interim dividend by 42 per cent to 2.5p (1.76p), increasing the proportion of the total dividend paid at the half year, in line with other brewers.

Analysts upgraded their full-year forecasts for pre-tax profits, which are now expected at £27.5m, giving earnings per share of 22.1p and a prospective p/e of 14. After a year of underperforming the brewing sector, the shares are now at a slight discount.

Trevor Humphries

Michael Hurdle (left) and David Gordon helping to lift profits

■ **Iron ore:** by Bruce Jacques

In sight of the Pilbara dream

One of the country's biggest success stories is about to take a new direction

Few industries epitomise Australia's post-war economic development better than iron ore. In the racing parlance that is so much a part of the Australian vernacular, iron ore has scored the trifecta, or triple victory.

It has developed one of the country's most remote areas, the rugged Pilbara region in Western Australia; it has produced a key commodity export in a resource-dependent economy; and it has underwritten Australia's most important contemporary trading relationship – that with Japan.

The iron ore industry is poised to embark on its next important phase. Again central to the country's wider economic prospects, this will be a move into downstream processing.

Apart from answering the critics who say with some justification that Australia has been too content to remain a low value-added quarry for the world's more profitable industrial conglomerates, the move will realise a 30-year-old dream of the Pilbara pioneers.

It has been a long haul for the industry since the war-wary atmosphere of the late 1930s prompted the Australian government to place an embargo on iron ore exports

> The country is the world's fourth largest iron ore producer

for strategic reasons.

The embargo was not lifted until 1961, despite important iron ore discoveries in the Pilbara in the 1950s. After this date, development of the raw material-hungry Japanese steel industry quickly underwrote several big Pilbara projects. These included the Hamersley complex, controlled by CRA, Mount Newman, controlled by BHP, and Robe River, run by North Ltd.

In 1994-1995 these three mines exported over 129m tonnes of iron ore and associated products worth A$2.5bn (£1.17bn). The Australian Government's commodity analysis arm, ABARE, has predicted exports of more than 134m tonnes in the current year, lifting revenue above A$3bn for the first time.

That would rank iron ore as Australia's fourth largest commodity export after coal, gold and wool. It also makes the industry the world's fourth largest iron ore producer after China, the former Soviet Union and Brazil.

Iron ore is vital to Australian industry's fortunes. It is the base load that underwrites export growth to Japan and the more rapidly expanding economies of China, South Korea and Taiwan.

ABARE forecasts strong steel output growth in these countries for the rest of the decade. This could lift world iron ore production by 3 per cent to 985m tonnes in the calendar 1995, then to 1005 tonnes next year.

It is the method of this world steel output expansion as much as its scale that has drawn interest from the Pilbara miners. A large proportion of the Asian steel capacity expansion has been made possible by new technology.

The direct reduction approach, with a range of proprietary technologies, is being developed rapidly in several Asian countries. The emerging ascendancy of this approach, which has cost and environmental benefits, is finally providing one of the market opportunities envisaged when Pilbara was first developed.

The earliest mining agreements with the Western Australian government contained clauses that obliged the developers to commit to downstream processing operations as a condition of gaining mining approval.

These agreements envisaged the establishment of an integrated steel industry in Western Australia by 1995. Although the three Pilbara companies look like falling short of that target, there is now a number of proposals for the next best option for the state's economic development.

The highest profile plan is a proposal by BHP to spend up to A$1.5bn on a 2m-tonnes-a-year hot briquetted iron facility (HBI) to convert ore fines into direct reduced granules with 90 per cent iron content.

The Western Australian premier, Mr Richard Court, bracketed the BHP proposal with discovery of gold at Kalgoorlie as "a watershed" for the state's economy.

In a statement earlier this year, he said that the BHP plan could lift the market value of iron ore four-fold and was an important step towards the state's target of processing 20 per cent of the state's iron ore by 2000.

BHP is not the only company considering investments of this type. Several big consortia have announced proposals for similar downstream *processing ventures.*

They include a A$1bn plan by Australian United Steel Industry for a pellet plant and a 3m-tonnes-a-year HBI plant, with commissioning possible by mid-1998. Former CRA executives Sir Roderick Carnegie and Sir Russell Madigan are behind this consortium as is the former Australian ambassador to the People's Republic of China, Professor Ross Garnaut.

Other proposals have come from a little-known Queensland company, Mineralogy, for an HBI project, another from Japan's Mitsubishi Corporation for an iron carbide plant and a third from a consortium called Asia Iron, also for an HBI facility.

CRA itself is travelling a slightly different route. A CRA research and demonstration facility south of Perth is examining commercialisation possibilities for its direct reduction process, initially developed jointly with the Klöeckner group of Germany.

The rush of enthusiasm for new development ends a virtual hiatus that started in the 1960s. It reflects much more than changes in technology.It is also the result of cuts in the most important cost factors for operators in the Pilbara.

Gas prices in the region have almost halved during 1995 following deregulation of the state's energy market. A new era of industrial relations has emerged with an enterprise bargaining approach replacing the previously adversarial collective bargaining environment.

Economic development of the region has reduced construction costs. These were previously estimated at a premium of 50 per cent to capital city rates. The current premium is around 15 per cent. And the Pilbara also claims cheap sea freight rates to Asian markets, around $US20 a tonne, half the cost incurred by South American exporters.

■ **The wine industry:** by Emilia Tagaza

Big step on export road

Underfunding and inclement weather mean targets for overseas trade are being revised

The Australian wine industry has wedged one foot in the door of the international market. To do this, it has had to fight off its old image as a supplier of inferior plonk.

A spectacular rise in exports from negligible levels in the mid-1980s to around 2 per cent of the world export market's value last year confirms the battle has been won.

Wine makers now aim to increase this share to 5 per cent by 2010. On the way they will learn some lessons about the dangers of rapid expansion.

The industry launched its first formal target last year, after eight successive years of strong export growth. Exports grew twelve-fold during the period, rising from 10m litres in 1986 to 131m litres last year. Annual export growth during the period was a staggering 37 per cent. Export income last financial year reached A$360m (US$266m).

The success can be attributed to the belief that wine making is more of a science than an art. Rejecting the traditional European idea that the fruit and the earth need to be nurtured by hand, the Australian wine industry is one of the most mechanised in the world, investing nearly A$4m a year on basic research alone. The resulting efficiencies allow wine makers to produce premium wines at competitive prices.

Australia now exports its wine making equipment and wine makers – even to France.

Last year, the industry set an ambitious export revenue *target of A$1bn (US$740m)* by 2000, a move that excited the active wine sector of the Australian stock market. It was an intrepid step, considering the massive new plantings required to ensure an adequate grape supply, not to mention the variations in Australia's weather.

The problem with meeting the required hectarage is largely financial. Trading banks, the traditional funding source for grape growers, are not as excited about export opportunities as their clients. They are recovering from severe blows inflicted by agricultural loans that went bad in the past five years. The capital market tends to ignore vineyard investment, which takes at least four years to yield a return.

Mr Bruce McDougall, business development manager of Southcorp Wines, Australia's largest wine company, says much of the funds raised in the public listings of the past few years have been used for the expansion of processing and marketing facilities.

"Unless vineyard investment is associated with some form of short-term, high-turnover, value-adding activity, it is unlikely to satisfy the short-term yield requirements *of many investors," he says.*

The only listing made specifically to raise cash for vineyard expansion was that of Simeon Wines, floated last year by the Orlando Wyndham group. A substantial portion of Simeon's annual crush of 48,000 tonnes of grapes will be used for making Orlando Wyndham's Jacob's Creek brand, one of the most well-known Australian wines overseas.

It did not take very long for the industry to realise that the A$1bn export revenue target for 2000 could not be achieved. The Australian dollar has maintained its strength against the currencies of its main wine markets.

A greater limitation has been an inadequate supply of grapes. Not enough new vines had been planted early enough. The prolonged drought has continued. The worst frost for 49 years recently damaged large vineyards along the Murray River, which flows along the border of the state of Victoria, and then through South Australia. The area supplies a third of wine makers' grape requirements.

The industry has reduced its export revenue target to A$750m by 2000, assuming current export prices. This represents sales of around 250m litres, an increase of 120m litres from last year's export volume, and a 92 per cent increase in five years.

Australian wine exports – 1994

Country	A$m
UK	173.3
US	56.1
New Zealand	34.7
Canada	21.9
Sweden	20.5
Ireland	11.1
Japan	9.0
Germany	6.1
Netherlands	5.7
Switzerland	4.3
Hong Kong	4.2
Singapore	3.3
Norway	3.0
Other	22.8
Total	373.0

Source: Australian Bureau of Statistics, CS First Boston

Mr McDougall of Southcorp says the revised target is still high as it entails the planting of an additional 13,000 hectares of vines by 1996. At the current cost of around A$40,000 per hectare to develop a vineyard to maturity, the target would require an investment of A$100m per year for the next two years on vineyards alone.

The biggest companies have taken up the planting challenge with large new hectarage, particularly of the premium varieties used for their export wines. This reflects their focus on higher-value premium wines, which is intended to lift margins. Exporters have been pushing their premium bottles assiduously during the past three years. Their efforts have paid off handsomely so far. The Winemakers Federation of Australia estimates that export volume declined by 14 per cent in 1994-1995, but that the value rose.

The companies have also made new investments in technology. Orlando Wyndham, which is controlled by France's Pernod-Ricard, last year commissioned what it says is the world's fastest wine bottling line, capable of filling, labelling and packaging bottles at the rate of up to 22,000 an hour.

The big companies plan to plant only 23 per cent of the required 13,000 hectares of new vineyards. The bulk of the requirement will have to be met by independent growers. Acknowledging that independent growers will be hard pressed for the necessary funding, the big integrated producers are helping to make vineyards more bankable by entering into long-term supply contracts with the growers. Some growers have used such contracts as security for bank loans.

But the stock market may yet warm up to vineyard investment. The sector's export potential had attracted investors in the past. That potential still exists and interest in vineyard investment is set to grow, albeit slowly.

The export boom has led to a rush of public listing of wine companies during the past two years. Excluding Southcorp, which has other non-wine interests, there are now 10 wine companies quoted on the Australian Stock Exchange.

The industry is not apologetic about having set an ambitious target and subsequently reducing it. Mr Ian Sutton, chief executive of the Winemakers Federation, says that by setting the A$1bn target, the industry attracted investors' attention. "Importantly, we have for the first time developed a strategy to achieve targets. We have also come to think more of marketing, whereas we have previously concentrated more on production techniques," he says.

According to Mr Sutton, the biggest challenge now is to find the necessary capital. To achieve the export target of A$750m in 2000 the industry will have to raise around A$1.2bn. The sum needed to reach the longer-term goal of 5 per cent of the world market by 2010 is A$3.1bn.

Diversification is another challenge. The UK, whose consumers buy 46 per cent of Australia's total wine exports, is expected to continue being the strongest market. But competition in this market from other producers is increasing. Australian wine makers plan to focus their marketing efforts on Germany, the US and the wealthier Asian countries, particularly Hong Kong.

"They will also make a concerted attempt to drum up more sales in the domestic market. Mr Sutton says that the industry has not tapped its full potential at home, even though more than 68 per cent of its total production is consumed in Australia. "There has been a tendency to under-service this market and we have been concerned that without a new strategy, we won't get a new wave of wine consumers," he explains.

Australian bottling line: some cases are even bound for France Glyn Genin

■ **Sydney and Melbourne:** by Emilia Tagaza

Company strategy transcends city rivalry

While old enmities endure, businesses aim to compete with the world – not each other

Last month the three tenors – Luciano Pavarotti, Placido Domingo and José Carreras – told Australian TV news viewers via satellite from London that they would sing at the Melbourne Cricket Ground in March 1997 as part of a world tour. In front of a giant screen in Melbourne, Mr Jeff Kennett, the provocative premier of the state of Victoria, grinned ecstatically and blurted: "This is an absolute coup for Melbourne and the whole of Victoria."

Mr Kennett's antics, and his conservative government's accomplishments, have succeeded in putting Melbourne back in the ring with Sydney to resume the traditionally lively rivalry between the two cities. The competition was swept under the carpet when a savage recession hit Australia in the late 1980s. This forced state governments to focus more on economic survival than on self-promotion.

Melbourne's drum-beating is rekindling the contest, but it was the first to retire quietly from the fray during the recession. Victoria among all states took the most severe blow from the downturn because of its large manufacturing base. It contributes around 37 per cent of Australia's total manufacturing output. The manufacturing sector employs 21 per cent of the state's total workforce.

Numerous factory closures put tens of thousands of workers on the streets, earning Melbourne *rust belt status.* Victoria's unemployment was highest among Australia's states. This caused a huge drop in state final demand (SFD), the state equivalent of the domestic demand measure in the national accounts. At the recession's height, between March 1990 and June 1991, Victoria's SFD contracted by 0.9 per cent in real terms, compared with 0.6 per cent for all the other states.

Victoria has come back with a vengeance. Its economic outlook is now much brighter and it even leads the other states in some areas, such as productivity, business investment and export performance. In 1992-93, total merchandise exports from Victoria were valued at A$12.3bn ($9.1bn), an increase of 11 per cent on 1992-93. This compares with the average 5 per cent growth recorded by other states. The government forecasts a 12.2 per cent export growth for Victoria in 1995-96, compared with the other states' forecast average of 5.4 per cent.

Much of the improvement is attributed to radical micro-economic reforms and tough fiscal reconstruction introduced by Mr Kennett's government as soon as it was elected in 1992. Its boldest moves were to abolish all state industrial awards and introduce tough new penalties for illegal strikes. The public service was cut back, hundreds of state schools were closed down and public assets were sold off to retire massive debts.

Having put the state's economic affairs on a more stable footing, Mr Kennett has turned his attention to more mundane matters. He has speeded up a casino project that faltered under the state's previous Labor government; poached the contract to host the Formula One Grand Prix from Adelaide; and won for Melbourne the privilege of staging the Broadway musical *Sunset Boulevard* and the concert by the three tenors.

Australia's gateway capital Sydney, 820kms north of Melbourne, has always enjoyed privileges that make it the country's leading city. Sydney has the biggest international airport and large business districts overlooking one of the world's most beautiful harbours. These factors, combined with a big banking and finance sector, make it the favoured destination of overseas companies and foreign investors.

The city's gateway position has provided the state of New South Wales with a cushion against the recession. In an ironic twist, the recession-driven fall in property prices, especially for commercial property and executive homes, has lured multinationals to relocate their regional headquarters to Sydney. It was chosen by nearly 70 per cent of the 134 foreign companies that set up their regional offices in Australia since 1993. A large proportion of these were telecommunications companies and financial institutions, including Vodafone, AT&T, British Telecom and American Express, strengthening Sydney's claim to be Australia's information and financial capital.

While Victoria is grounded in manufacturing, New South Wales relies more on the services sector, which was less ravaged by the recession. Services account for 80 per cent of the NSW economy and 36 per cent of the state's total exports.

As both states emerge from the recession, the two cities are making claim and counter claim about which state capital has the most to offer to business. Both boast that they house more of Australia's top corporations. Both are correct depending on the benchmarks used. Melbourne has 10 of the 20 largest companies by market capitalisation. Sydney has half of the top 500 Australian and New Zealand companies by revenue. And it prides itself on being home to the head offices of 32 of the 42 banks operating in Australia.

Mr Laurie Cox, former chairman of the Australian Stock Exchange, believes it is healthy to have two competing financial centres as it ensures that services will continually improve. He thinks financial services business has drifted more to Sydney during the past few years. This is partly because takeovers among insurance companies have resulted in some operations moving northwards. Sydney is thus dominant in institutional asset management. But corporate finance is still split equally with Melbourne.

"Melbourne will be re-asserting itself because the Victorian government's reforms have pushed the economy forward in leaps and bounds," Mr Cox says.

> Victoria relies on industry; New South Wales on the services sector

Although Sydney's business community beats Melbourne's in its size and relative importance, businesspeople in both cities see arguments over commercial dominance as irrelevant. Companies are thinking on a more global level and are preoccupied with generating more business from overseas than from local markets.

Some big banks maintain that they no longer identify clients as either Sydney or Melbourne companies, but as domestic and offshore ones. The National Australia Bank (NAB) derives nearly half of its total income from overseas business while the figure is 32 per cent for ANZ Bank.

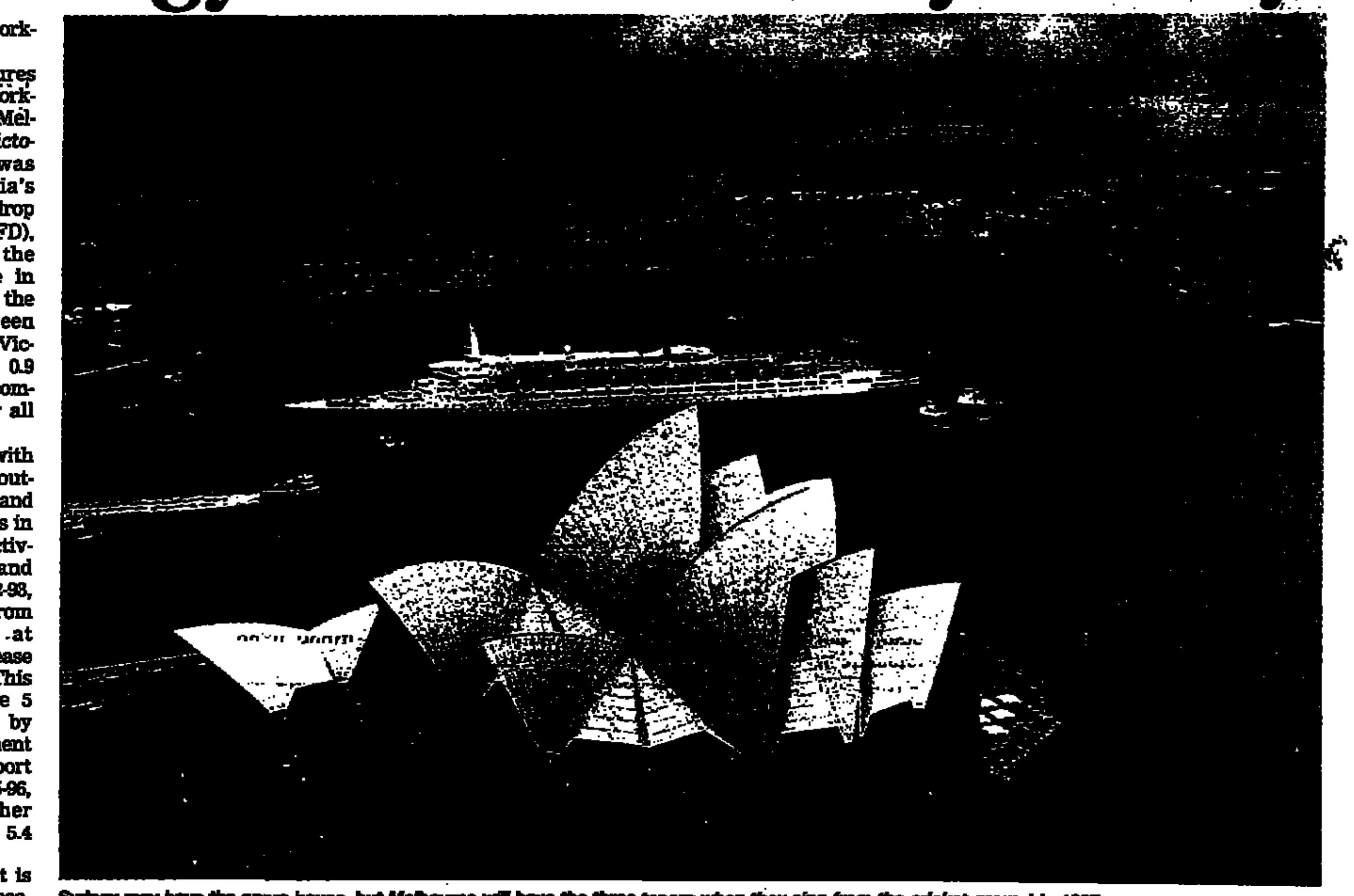
NAB's Mr Haydn Park says that the rivalry between Sydney and Melbourne remains a cultural exercise that will continue as long as each city plays football to different rules and runs races in different directions, clockwise in Sydney and anti-clockwise in Melbourne.

The rivalry can be traced back to gold discoveries in Victoria in the 1890s which brought immense wealth and an influx of population. Melbourne was quickly transformed into a big financial centre, stealing the limelight from Sydney, which had a head start as the first colony.

The vast wealth that had flowed on to subsequent generations has shaped Melbourne's reputation as a conservative, genteel city run by the establishment's old money. Sydney's population had to struggle through the gold rush, surviving by cunning and guile. Today Sydney is less conscious of class than Melbourne. Old money co-exists happily with the fast buck while brashness and hedonism are tolerated.

Mr Peter Bradfield, a Sydney-based management consultant with big clients in both cities, believes that the different historical paths have had an impact on the way business decisions are made. Melbourne businesses are likely to be more circumspect and thus take longer to plan and settle strategy, he says. Sydney companies are less risk-averse and quicker to make decisions.

"Understanding this dynamic of decision is crucial to drawing up strategies in dealing with businesses in both cities," Mr Bradfield says.



Sydney may have the opera house, but Melbourne will have the three tenors when they sing from the cricket ground in 1997 Glyn Genin

COMMODITIES AND AGRICULTURE

Fischler seeks 'middle way' through EU meat hormone controversy

By Alison Maitland

Policing the European Union ban on hormones in meat is costly and can have "brutal consequences", Mr Franz Fischler, EU agriculture commissioner, said yesterday.

Mr Fischler was addressing the first day of a scientific conference in Brussels convened by the European Commission to try to break the deadlock over the ban on using growth-promoting hormones in livestock farming and importing meat treated with hormones.

There are suspicions that the murder of a veterinary inspector in Belgium earlier this year was linked to black market production and trade in growth-promoters.

"Controllers in the field are exposed regularly to threats and violence," said Mr Fischler. "Convicted users of illegal substances are rightly sent to jail and have to pay heavy fines. Consumers have become ill from eating the produce of animals treated with dangerous substances, though thanks to our controls this is a rare occurrence."

Mr Fischler said such incidents made it essential that incontrovertible scientific advice on hormones should be available to enable EU policy-makers to safeguard consumers' health and control illegal use of dangerous hormones.

The EU is under pressure from the US, which has threatened to challenge the ban through the World Trade Organisation on the grounds that it restricts trade unfairly.

Pharmaceutical companies oppose the ban on the grounds that the EU's list of prohibited drugs includes some that passed licensing procedures in several European countries before the ban and are used in the US, Canada, Australia, New Zealand, Latin America and Africa.

Consumer groups want the ban to stay. BEUC, the European consumers' organisation, said yesterday: "Consumers do not want artificial substances to be used in agricultural production if they are not necessary or if they do not offer any benefits to consumers. The use of hormones in meat provides no benefit for consumers".

Mr Fischler said decisions on the ban should be based on scientific evidence but could not ignore consumer concerns.

He called for a middle way to be found between those who regarded consumer worries as irrational and those who insisted, without evidence, that growth promoters were "an unacceptable interference with life itself".

The conference involves more than 80 international scientists, presided over by Sir John Maddox, editor of Nature, the authoritative scientific journal. It is due to report its findings tomorrow.

Ok Tedi compensation Bill tabled in Papua New Guinea parliament

By Nikki Tait in Sydney

Legislation, designed to settle the compensation row between Papua New Guinean landowners and Australia's Broken Hill Proprietary over its Ok Tedi copper-gold mine was introduced into the PNG parliament yesterday.

The legislation, which is designed to prevent further liability claims being pursued in the Australian courts, provides for the implementation of a controversial K110m (US$83m) compensation package agreed between BHP and the PNG government earlier this year. This payment, to be spread over 15 years, represents an attempt to resolve landowners' complaints that mine waste pumped into the local river system had devastated their livelihoods.

The original legislation to implement this package was criticised because it imposed financial penalties on anyone who chose to pursue separate legal action. As some landowners had already begun a multi-billion dollar liability claim against BHP in the Melbourne courts, the Bill was seen as a back-door means of aborting this action.

However, under the redrafted legislation local clan leaders will be given six months in which to decide whether to accept the package being offered, or whether to negotiate their claims directly with the company, with rights of access to the PNG courts. The existing liability action launched against BHP in the Victorian courts will also be able to proceed.

Nevertheless, according to Mr John Giheno, PNG's mining minister, if landowners win compensation under the PNG mining act procedures or through the current Australian legal action, these amounts will be deducted from the general compensation offer.

Separately, Melbourne courts yesterday declined to grant an injunction, sought by the landowners' lawyers, preventing BHP from consenting to the revised arrangements.

Philippines nickel complex to be rehabilitated

By Kenneth Gooding, Mining Correspondent, in Manila

Nonoc nickel complex in the Philippines, which closed in March 1986 because of low metal prices and high debts, is to be bought by a consortium and rehabilitated at a cost of at least US$400m.

Mr Gonzalo Santos, chief executive trustee of the Philippines' Asset Privatisation Trust said yesterday the consortium – using the name Pacific Nickel – included a Hong Kong affiliate of National Westminster Bank of the UK and the Minproc mining engineering group of Australia as well as private UK investors.

Minproc engineers are at present on Nonoc island completing a due diligence operation. Mr Santos said the consortium had been given at least three months to complete this task. Subject to the outcome of the due diligence exercise, the consortium will pay the APT US$333m for the Nonoc assets. It has also committed to spending another $67.5m to rehabilitate the mine and refinery complex. The APT has also given approval for the consortium to raise a further $120m in debt, which Mr Santos said might also be spent on rehabilitation work.

He suggested that, judging by past experience, Nonoc might employ 3,000 people but it would take two to three years for production to be restarted.

According to the APT, Nonoc, mining low grade nickel laterite deposits, had the capacity to produce 68.4m lb of nickel metal a year plus 6.6m lb of nickel sulphides and 3.8m lb of cobalt sulphides. It still has reserves of 61.3m tonnes of ore in its 25,000 hectare concession areas, containing 1.22 per cent nickel and 0.108 per cent cobalt.

This is not the first time Nonoc has been close to being sold and there have even been announcements to that effect. But buyers have always dropped out at a late stage. However, Mr Santos insisted: "This is the closest so far we have been to getting the plant back into operation". A cabinet committee has already approved the terms.

One big obstacle in the past to a sale has been demands by the previous owners, Mr Jesus Cabarrus and his family, for settlement of loans made to Nonoc. Mr Santos said that as part of the deal the Pacific consortium had agreed terms with the Cabarrus family, so this was no longer a problem.

The APT was set up to dispose of assets, both physical and financial, held by government-owned financial institutions, assets usually first obtained as a result of defaults on loan arrangements. Mr Santos, who took over 18 months ago, described Nonoc as th[e] APT's biggest asset and also it[s] biggest headache. "It is a hug[e] complex and it is difficult t[o] guard. It costs a lot to guar[d] and maintain." The APT had [a] security force of more than 10[..] at the site.

Among the other minin[g] assets the APT has on offer ar[e] Bagacay Mines, a copper gol[d] operation; Baton Buhay Mines[,] copper mine and mill; Nort[h] Davao Mining, which has cop[-]per and gold projects; and th[e] Hercules Minerals' Bull[y] Bueno copper project. Mr San[-]tos said several companies mainly Australian, ha[d] expressed interest in each o[f] these assets and he hoped t[o] sell them all within 12 months

Indian tea industry happy with smaller crop

Higher auction prices are compensating for lower production, writes **Kunal Bose**

India, the world's largest producer of tea, is likely to finish the current season (January to December) with a crop of about 730m kg, compared with last year's 748.8m.

In the nine months to September only 532.7m kg was picked, down 31m from the same period last year. In September, however, there was a recovery of 2.19m kg to 99.86m and industry officials believe that in the final quarter, the tea estates in the north and the south will be picking more leaves than they did a year earlier.

"However, the last thing that we want to happen is the gardens resorting to indiscriminate plucking to chase volume," says Mr S.N. Somani, president of Jayshree Tea, a leading tea group. "The industry suffered badly last year as a record volume of end season production of inferior quality tea in 1993 caused a sharp fall in prices." The average Indian tea price fell by 17 per cent to Rs40.61 ($1.33) a kilogram in 1994.

It is only since August that there has been a sustained recovery. The present average price of Assam CTC (cut, tear and curl) leaf tea is nearly Rs60 ($1.67) a kilogram, up almost Rs10 from a year ago.

Mr P.K. Sen, chairman of J. Thomas, the world's largest tea broking firm, believes there will be a "further hardening of tea prices".

"I think the market will remain buoyant till at least the middle of 1996," he says. "The current season's production will be between 725m and 730m kg. However, the Indian tea is meeting with better export enquiries and there is a regular growth in the domestic demand for the beverage. As a result, not much tea is going to be carried forward to the next season." Mr Sen's prognosis assumes, however, that Indian producers will not yield to the temptation of harvesting a disproportionately large crop in the remainder of the year December in search of short-term gains.

India had exported 111.45m kg tea up to September, compared with against 96.55m kg the same period of 1994. "The Commonwealth of Independent States, traditionally the principal export destination for our tea, has stepped up the purchase of Indian tea in the current season," says Mr Sen. "We are also selling more tea to the eastern European countries, particularly Poland. The German offtake of good quality Indian tea has risen. The general expectation is that Indian tea export in the current season will be over 160m kg, compared with 148.6m kg in 1994."

Traders say the UK, which has had an oversupply of Kenyan tea, has emerged as a strong buyer of Indian tea since August. At the London auction Assam teas are commanding an average price of 160p a kilogram, with the very best lines fetching more than 250p. Besides the quality factor, a depreciation in the value of the rupee has helped the cause of Indian tea exports.

Meanwhile, the Indian Tea Board's search for new markets has started to pay dividends. Syria, a fairly large tea consuming country, which buys chiefly from Sri Lanka, could become an important destination for Indian tea. The board also believes that Indian tea could find a market in Israel where consumption is at present around 2.5m kg.

At 158.8m kg, the Kenyan tea crop is up by a whopping 35.9m kg. However, there has been an erosion in its quality. According traders, the sharp fall in auction prices in Mombasa and London is due to excessive offerings of average and below average quality Kenyan tea. While Sri Lanka and Malawi have maintained their crops at about last year's levels, Bangladesh is growing less tea this season.

The setback in the Indian crop has been due to the lateness of the monsoon, followed by uneven distribution of rain in the tea growing centres. Even then, the quality of the crop is said to be generally satisfactory. Because of the high premium available on quality tea in the domestic market, more and more tea companies have seen the virtue of making adequate investment in garden maintenance, including rejuvenation and replanting of the ageing bushes.

Of the nearly 31m kg decline in tea production up to September, the share of the Assam gardens is put at 21.22m kg. Assam's production amounted to 280m kg, compared with 301.29m kg in the same period of 1994. The West Bengal production is down to 114m kg from 123.16m.

Bad weather meanwhile restricted production in Darjeeling to 7.96m kg, against 9.2m. As the winter sets in early in the hills of Darjeeling where the world's finest and most expensive tea is grown, the current season's crop there will fall far short of last year's 10.75m kg. As a result, the average Calcutta auction price for Darjeeling tea has already risen by about Rs25 a kg.

In the south, Tamil Nadu has harvested 85.53m kg, against 84m. Karnataka is marginally ahead with 3.2m kg. However, Kerala's crop of 45.63m kg shows a shortfall of a little over 2m.

Interestingly, with the foreign buyers once again becoming active, the shift in Indian production from orthodox to CTC tea (cut, tear and curl – the type familiar to British consumers) has been arrested.

The disintegration of the Soviet Union, which used to import well over 100m kg of tea from India, much of it orthodox, forced many gardens to make larger quantities of CTC tea. Domestic consumers are not ready to pay the premium for orthodox leaf tea. In the first nine months' production shortfall, the share of CTC tea was 28m kg.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1655.5-6.5	1693-4
Previous	1653-4	1690-1
High/low		1693/1682
AM Official	1644-5	1683-4
Kerb close		1688-9
Open int.	225,258	
Total daily turnover	41,735	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1400-10	1440-5
Previous	1400-10	1440-50
High/low	1410/1390	1450/1430
AM Official	1395-405	1435-40
Kerb close		1440-50
Open int.	4,334	
Total daily turnover	1,037	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	752-4	731-2
Previous	752.5-4.5	733-4
High/low	747	731/722
AM Official	746-7	725-6
Kerb close		725-6
Open int.	31,061	
Total daily turnover	10,144	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8295-305	8425-30
Previous	8345-55	8470-80
High/low	8180/8175	8430/8290
AM Official	8175-80	8305-10
Kerb close		8400-10
Open int.	42,931	
Total daily turnover	21,816	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6345-55	6290-95
Previous	6390-400	6430-35
High/low	6330	6420/6370
AM Official	6330-35	6380-82
Kerb close		6375-7
Open int.	18,077	
Total daily turnover	9,280	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1029-30	1054-5
Previous	1030-1	1055-6
High/low	1028	1055/1052
AM Official	1028-8.5	1053-3.5
Kerb close		1052-3
Open int.	81,390	
Total daily turnover	20,891	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2987-92	2759-60
Previous	2987-9	2735-6
High/low	2985	2759/2728
AM Official	2984-5	2735-7
Kerb close		2748-9
Open int.	170,731	
Total daily turnover	72,166	

■ LME AM Official £/$ rate: 1.5327
LME Closing £/$ rate: 1.5380

Spot: 1.5380 3 mths: 1.5358 6 mths: 1.5334 9 mths: 1.5306

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	130.45	-0.15	132.60	130.20	4,169	11,774
Jan	128.65	+0.05	130.30	128.80	439	2,274
Feb	126.40	-0.05	-	-	88	914
Mar	124.15	-0.15	126.00	124.00	2,928	13,895
Apr	122.65	-0.25	-	123.30	18	318
May	120.95	-0.35	122.30	120.95	349	2,261
Total					8,594	38,088

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	389.40-389.90		
Opening	389.20-389.70		
Morning fix	388.95	253.602	452.115
Afternoon fix	388.50	253.942	452.525
Day's High	389.70-390.00		
Day's Low	388.20-388.50		
Previous close	387.90-388.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month .... 0.41 6 months 1.56
2 months .... 0.21 12 months 2.27
3 months 0.48

	p/troy oz.	US cts equiv.
Silver Fix	[illegible]	[illegible]
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
1 year	[illegible]	[illegible]
Gold Coins	$ price	£ equiv.
Krugerrand	[illegible]	[illegible]
Maple Leaf	[illegible]	[illegible]
New Sovereign	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	387.8	-0.1	389.0	387.1	27,813	16,442
Feb	389.2	+0.3	390.4	388.3	88,400	55,625
Apr	390.9	+0.3	392.2	390.0	4,439	13,691
Jun	393.0	+0.3	394.4	392.3	3,773	20,110
Aug	395.1	+0.3	396.2	396.2	542	3,976
Oct	397.3	+0.4	-	-	448	3,462
Total					127,430	139,937

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	414.4	-1.9	416.9	413.5	2,282	14,919
Apr	414.9	-1.4	417.0	414.5	184	2,782
Jul	415.9	-1.4	418.0	417.0	16	1,667
Oct	416.9	-1.4	419.8	419.0	29	662
Jan	417.9	-1.4	-	-	1	5
Total					2,484	20,095

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	132.90	-2.10	135.00	132.50	507	1,457
Mar	134.30	-1.70	135.80	134.00	591	3,888
Jun	135.30	-1.70	137.50	136.75	4	183
Total					1,102	5,538

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	512.9	-6.9	521.5	512.0	20,723	24,836
Jan	514.8	-6.6	517.0	513.0	12	41
Mar	521.7	-6.3	530.0	521.0	20,951	48,928
May	526.3	-6.4	532.5	525.0	498	9,345
Jul	530.9	-6.5	537.0	532.0	288	6,253
Sep	535.4	-6.7	541.5	540.0	47	6,094
Total					42,193	165,882

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.29	-0.04	18.39	18.20	32,326	101,092
Feb	18.00	-0.04	18.08	17.94	15,151	43,097
Mar	17.83	-0.02	17.88	17.77	10,269	31,398
Apr	17.68	-0.02	17.72	17.63	5,459	15,645
May	17.54	-0.02	17.56	17.50	1,705	9,895
Jun	17.44	-0.03	17.48	17.40	1,636	19,199
Total					74,394	329,647

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	17.09	-0.05	17.19	17.04	17,135	74,196
Feb	16.82	-0.01	16.90	16.76	10,639	29,405
Mar	16.59	-0.01	16.65	16.58	2,720	18,775
Apr	16.45	+0.02	16.48	16.40	305	9,165
May	16.30	-	16.31	16.30	49	2,649
Jun	16.23	+0.04	16.24	16.15	615	8,221
Total					24,292	147,982

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	52.30	-0.65	53.00	52.20	16,014	15,587
Jan	52.50	-0.56	53.15	52.40	15,165	49,804
Feb	52.15	-0.41	52.60	52.05	4,412	27,065
Mar	50.90	-0.26	51.25	50.90	1,437	11,648
Apr	49.30	-0.11	49.40	49.10	369	5,044
May	47.90	-0.26	48.20	47.90	310	4,298
Total					38,112	136,316

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	157.75	-0.25	157.75	157.00	6,597	24,604
Jan	157.50	-0.50	157.75	156.75	4,222	25,487
Feb	156.50	-0.50	156.75	156.00	1,790	7,806
Mar	154.50	-0.50	154.75	154.25	307	5,719
Apr	153.25	-	153.25	152.75	158	1,809
May	151.75	+0.25	151.75	151.00	17	1,155
Total					13,393	78,883

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.020	-0.004	2.032	1.975	22,449	43,818
Feb	1.920	+0.005	1.924	1.880	5,955	19,975
Mar	1.816	+0.008	1.816	1.785	2,998	14,984
Apr	1.714	+0.007	1.720	1.685	1,169	10,745
May	1.710	-0.001	1.717	1.700	804	7,981
Jun	1.715	-0.002	1.720	1.706	1,210	6,360
Total					35,899	143,731

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	57.25	+1.01	58.30	56.15	11,988	8,705
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	126.30	+0.40	126.50	126.40	42	2,130
Mar	128.35	+0.45	128.50	128.40	68	2,380
May	130.15	+0.35	130.50	130.15	160	3,195
Jul	132.25	+0.25	132.50	132.50	75	284
Sep	114.25	+0.40	-	-	12	50
Nov	116.15	+0.30	116.50	116.50	51	686
Total					349	8,723

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	501.00	+8.00	502.00	492.25	6,332	13,849
Mar	497.75	+6.25	498.50	491.00	8,725	52,820
May	463.50	+6.25	464.00	457.25	646	5,415
Jul	419.75	+3.25	420.00	416.50	1,411	20,343
Sep	421.50	+3.25	421.00	418.00	389	3,278
Dec	428.00	+1.25	428.00	426.75	44	1,019
Total					17,526	98,888

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	328.75	+4.00	329.50	324.75	35,436	62,265
Mar	336.50	+4.50	337.00	332.00	40,042	275,300
May	337.25	+4.25	338.00	332.75	5,886	49,951
Jul	332.25	+4.25	332.75	328.00	3,063	66,297
Sep	293.50	+2.50	294.00	290.75	527	10,390
Dec	279.00	+2.25	280.00	276.75	1,192	27,546
Total					86,103	492,598

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	116.45	+0.60	116.50	116.30	37	836
Mar	118.50	+0.40	118.65	118.65	12	795
May	120.50	+0.35	120.75	120.65	170	233
Sep	110.25	+0.50	110.25	110.25	13	7
Nov	111.90	+0.90	111.75	111.75	13	16
Total					237	1,887

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	684.00	+6.50	685.25	677.00	18,138	81,304
Mar	692.25	+6.50	693.00	685.00	5,243	45,583
May	696.25	+6.50	696.75	690.00	1,290	14,508
Jul	698.25	+6.25	699.00	691.50	2,225	20,206
Aug	695.00	+6.00	695.00	692.25	221	1,308
Sep	678.00	+3.25	679.00	676.00	48	1,528
Total					28,892	178,866

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	24.83	+0.06	24.93	24.77	10,774	9,482
Jan	25.02	+0.05	25.12	24.85	10,265	33,349
Mar	25.39	+0.05	25.46	25.32	4,858	22,739
May	25.70	+0.05	25.77	25.65	1,283	10,470
Jul	25.91	+0.01	25.97	25.86	1,718	9,261
Aug	26.00	+0.02	26.07	26.03	158	1,929
Total					28,982	98,163

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	209.3	+1.6	209.4	207.5	14,556	15,157
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	907	+18	907	895	1,639	4,458
Mar	945	+13	945	934	3,636	85,515
May	965	+13	965	955	1,371	15,079
Jul	984	+13	982	975	486	6,494
Sep	1002	+10	1004	995	582	26,894
Dec	1015	+13	1014	1006	223	6,492
Total					8,288	145,328

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1320	+3	1323	1305	53	830
Mar	1330	+9	1335	1318	6,478	39,629
May	1350	+7	1354	1340	1,478	11,996
Jul	1372	+8	1374	1388	347	3,921
Sep	1394	+8	1395	1390	114	9,457
Dec	1420	+6	1421	1416	847	7,712
Total					18,861	78,282

■ COCOA (ICCO) (SDR's/tonne)

Nov 28	Price	Prev. day
Daily	941.84	945.42

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	2740	+118	2830	2800	236	436
Jan	2235	-	2240	2200	2,506	14,601
Mar	2065	-8	2070	2052	1,541	9,183
May	1982	-7	1982	1970	498	4,080
Jul	1927	-3	1929	1915	133	1,730
Sep	1888	-6	1890	1882	14	680
Total					4,941	30,888

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	112.00	-0.80	113.95	111.50	532	1,171
Mar	108.30	-1.00	110.40	107.25	6,199	17,643
May	106.60	-0.85	108.50	106.00	611	3,042
Jul	105.40	-1.00	108.50	105.00	36	783
Sep	104.40	-1.00	105.25	104.40	18	370
Dec	103.95	-0.95	106.00	105.00	177	462
Total					4,561	23,667

■ COFFEE (ICO) (US cents/pound)

Nov 28	Price	Prev. day
Comp. daily	111.85	113.33
15 day average	118.74	119.36

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	10.91	+0.04	-	-	-	-
Jul	10.91	+0.04	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

■ GSCI Spot (Base: 1970=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.350	-0.525	68.125	67.200	6,296	18,131
Feb	67.325	-0.675	68.200	67.075	6,874	27,436
Apr	67.300	-0.350	67.775	67.175	1,581	14,785
Jun	63.200	-0.275	63.650	63.050	610	6,395
Aug	61.350	-0.275	61.775	61.275	325	2,826
Oct	62.550	-0.050	62.700	62.500	99	2,461
Total					15,793	72,844

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	44.150	-0.100	44.350	44.000	2,063	6,174
Feb	47.150	+0.150	47.275	46.850	1,971	11,836
Apr	47.350	-0.050	47.675	47.225	473	5,224
Jun	52.975	-0.125	53.250	52.925	193	4,254
Jul	52.825	-0.100	53.100	52.800	38	2,328
Aug	51.650	-0.200	52.000	51.650	42	1,189
Total					4,857	31,849

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	54.050	+0.625	54.500	53.250	1,948	5,928
Mar	54.000	+0.375	54.800	53.550	219	1,011
May	55.400	+0.625	55.800	55.100	41	420
Jul	56.475	+0.500	56.500	55.700	53	400
Aug	53.600	+0.300	53.600	-	4	168
Total					2,283	7,928

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1600	60	105	-	20
1700	2	47	42	61
1800	-	16	140	129
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2800	138	70	-	104
2900	48	37	10	169
3000	6	-	68	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1900	336	290	1	65
1950	288	198	3	83
2000	241	170	6	105
■ COCOA LCE	Mar	May	Mar	May
875	77	106	7	16
900	57	88	12	23
925	41	72	21	32
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1650	[illegible]	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]	[illegible]
1750	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan) +or-

[illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

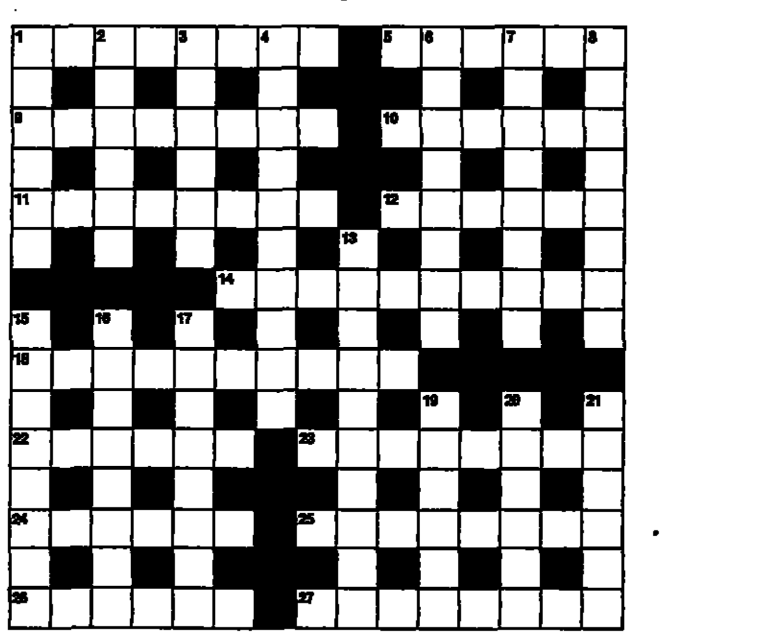
[illegible]

■ OTHER

[illegible]

CROSSWORD

No.8,932 Set by GRIFFIN



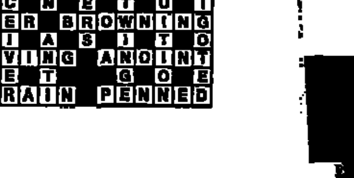
ACROSS

1 Buy tea in a brass container (8)
5 Rubbish left after excursion (6)
9 Unmarried six-footer enters uninvited (8)
10 Old settler, because at home, takes pupil (6)
11 She got Lady Swan to run away (8)
12 Being blue it's upset a cruel person (6)
14 Dripping that's rock solid? (10)
18 Hot, gentle touch – could lead to this? (6,4)
22 Strict Asian leader heading backwards (6)
23 Castro said why it included loyalty (8)
24 Spoil one married couple (6)
25 Score minus 1 (8)
26 Looking embarrassed about fighting for compensation (6)
27 Endlessly recommend taking a liqueur (8)

DOWN

1 Suddenly drops politician and goes outside (6)
2 Arguing about one wrong move (6)
3 Assistant with 50% less stock (6)
4 Brushes win prize (10)
6 Nice, real form of assurance (8)
7 Airline brought back first-class tobacco (8)
8 Extend rocky glen to the north (8)
13 Secret form I filed gets left out (10)
15 Used to train fruit producer? (8)
16 Boxer was out arranging finance, admittedly (8)
17 Listen to a row that's more robust! (8)
19 Man returns vases without hole for this object (6)
20 Pictures church taking in an old lady (6)
21 Heartless city gent injured swan (6)

Solution 8,931



JOTTER PAD

Nedlloyd tumbles in third quarter

By Ronald van de Krol in Amsterdam

Nedlloyd, the Dutch transport group, yesterday reported a sharp drop in third-quarter net profits and revealed "serious irregularities" in its Austrian road-haulage operations that will lead to an "important" exceptional charge in the fourth quarter.

The company, whose shares have been under pressure since it issued a warning in October of substantially lower 1995 profits, also said it now expected full-year net results before extraordinary items to be only half the Fl 107m ($66.63m) posted in 1994. In the summer, Nedlloyd had confidently predicted that full-year results would at least equal those of 1994. The shares fell Fl 1.70, or nearly 5 per cent, to Fl 34.70, even though the results were announced just before close of trading.

Earlier expectations of Fl 100m in extraordinary gains, generated by sales of ships and other tangible assets, have also been scaled back. Partly because of the Austrian setback, extraordinary gains will be substantially lower than the Fl 88m achieved in the first nine months of 1995. Earnings per share before extraordinaries in the third quarter were Fl 2.58, compared with Fl 1.92 in the same quarter last year.

Third-quarter net profits fell from Fl 43m a year earlier to Fl 23m, roughly in the middle of analysts' range of forecasts. "The disappointing result primarily reflects developments in the ocean-shipping sector," the Rotterdam-based company said. Currency factors, particularly the decline of the dollar, exerted a negative influence of Fl 36m in the quarter.

Total net profit rose from Fl 43m in the third quarter a year ago, when there were no exceptional items, to Fl 53m. The increase was made possible by Fl 30m in book profits on the sale of roll-on/roll-off vessels.

Turnover increased 4 per cent to Fl 1.72bn but would have been up 15 per cent excluding currency movements and divestments.

Nedlloyd said it was still investigating the irregularities uncovered at Nedlloyd Road Cargo in Austria in recent weeks. "Management has been sacked and interim managers have been put in place," it said. The company would give no details of the problems, referring only to a "combination of factors" including improper financial reporting. The irregularities went back "several years," it added.

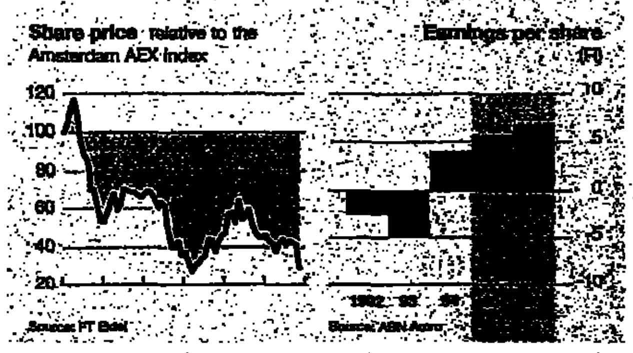
In shipping, operating results swung from a profit of Fl 24m a year ago to a loss of Fl 9m in the quarter. Besides *the dollar, the currency in* which cargo rates are most commonly denominated, the other main factor was an increase in operating costs caused by delays and congestion in various ports around the world.

At the same time, the volume of cargo traffic on two services launched earlier this year – a second sailing between Europe and the east Asia and a sailing between Asia and the east coast of the US – also proved to be below expectations.

COMPANY PROFILE
Nedlloyd

Market capitalisation	$510.7m
Main listing	Amsterdam
Historic P/E	8.1
Gross yield	2.2%
Earnings per share, 1994	Fl 4.1
Current share price	Fl 34.7

Leo JM Berndsen chairman



Krupp Hoesch beats off competition to pay DM700m for Uhde

By Michael Lindemann in Bonn

Krupp Hoesch, the German steel and engineering group, yesterday outbid two leading competitors to buy Uhde, one of the world's leading constructors of chemical plants and a subsidiary of the Hoechst chemicals group. Industry sources said Krupp Hoesch would pay about DM700m ($488.2m) for Uhde.

Metallgesellschaft, the German industrial conglomerate which appears to be recovering from its near-collapse two years ago, had bid DM650m for Uhde, the sources said. M. W. Kellogg, the US group, also made an unspecified bid.

Krupp Hoesch and Hoechst have signed a letter of intent, but the deal has still to be cleared by the cartel authorities.

Krupp Hoesch said Uhde, which does more than 80 per cent of its business outside Germany, was a good fit for Krupp Koppers, the chemical plant construction company which had sales last year of DM220m. Recently it has struggled because it is too dependent on the domestic market.

Uhde reported net profits of DM18m last year on sales of DM651m, making Uhde's exit multiple about 0.9 times sales and 38 times earnings. The company said it had new orders last year worth DM1.3bn and orders on hand at present totalled DM2.3bn. Over the past four years Uhde has reported average sales of DM880m, with the figure fluctuating strongly depending on the booking of large contracts, the company said.

The Uhde sale marks a further step in Hoechst's disposal of non-core activities. The Frankfurt-based group earlier this year cut its stake in SGL Carbon, which makes graphite electrodes, and disposed of Schwarzkopf, the cosmetics group. Hoechst said it would continue to concentrate on its pharmaceutical activities and its agricultural and industrial chemicals.

Krupp Hoesch, which itself has undergone considerable restructuring in recent years, said it saw the plant construction activities as an "attractive" business.

Overall, the plant construction division, one of Krupp Hoesch's six divisions, reported an operating profit of DM53m on sales last year of DM1.8bn. The company said it expected improved results for 1995 but declined to give any further details.

EUROPEAN NEWS DIGEST

Polish tyre makers' shares suspended

Warsaw's stock exchange yesterday continued the suspension of trading in shares in the country's two leading tyre producers for a second day after the privatisation ministry said that it was negotiating the sale of strategic stakes in both companies. The government is understood to be talking about selling equity in the Debica tyre company in the south-east to Goodyear. Michelin, which has yet to make an investment in central Europe, is negotiating to purchase stock in Stomil Olsztyn.

Debica, which specialises in passenger car tyres, was privatised last year. The state treasury still owns a 33 per cent stake in the company which has a market value of 416m zlotys ($166m). Debica was trading on a price earnings ratio of 11.8 before the stock was suspended. Olsztyn, in the north-east, was built in the 1970s mainly to supply the tractor and truck market and has only recently branched into passenger vehicle supplies. The state still owns 69 per cent of the company following a disappointing public offer last summer. Olsztyn's market capitalisation is 675m zlotys. Mr Leszek Juchniewicz, a deputy privatisation minister, last month said the government wanted to retain a 25 per cent stake in the factory. Olsztyn's p/e ratio is 9.5.

Christopher Bobinski, Warsaw

Germans set to win Fogaz

A consortium of Ruhrgas and VEW, two German utilities, is today expected to be declared winner of an international tender for Fogaz, Hungary's largest gas distribution company (GDC), ahead of British Gas, Gaz de France and a consortium of Italgas and Snam, two subsidiaries of Eni, the Italian energy group. The Budapest city council, the owner of Fogaz, is due to approve a recommendation from its privatisation division that the German consortium be awarded the company.

The expected decision will leave British Gas, which has had an office in Hungary since 1991, without any of the country's six GDCs. The six companies, five of which are being sold by APV Rt, the state privatisation agency, had combined fixed assets of Ft100.1bn ($902m) at the end of last year.

Five of the companies look likely to be sold to rival continental utilities, while the sixth is to go to a second tender in which British Gas is not qualified to participate. Italgas/Snam yesterday acquired a 50 per cent plus one stake in Tigaz, the largest of the five regional GDCs, from APV Rt for $172m, while GdF and Ruhrgas/VEW have been awarded three other GDCs pending approval of the two groups' business plans.

The City of Budapest, which is being advised by Goldman Sachs and Creditanstalt Securities, invited the four foreign groups to make offers for both a 50 per cent plus one vote stake in Fogaz and for a 39 per cent stake.

However, much to the anger of the city council, APV Rt rushed through the sale of Tigaz to the Italian consortium before today's long-planned decision on Fogaz. The Italians are also understood to have asked APV Rt to delay the Tigaz purchase until the results of the Fogaz tender were known. The APV Rt's refusal appears to have prompted the recommendation to sell a minority stake to Ruhrgas/VEW. The council, which has yet to disclose bid prices, said yesterday this would cost it Ft8.8bn ($66m) – the difference between the Italian offer for a majority stake and the Germans' bid for 39 per cent.

Virginia Marsh, Budapest

Fokker sees end to talks

Fokker, the troubled Dutch aircraft builder, said yesterday it hoped crucial negotiations over its future between the Dutch government and its controlling shareholder, Daimler-Benz Aerospace (Dasa) of Germany, would be completed by the end of the year.

Shareholders at yesterday's extraordinary meeting, called to discuss the "position of the company", were given no new details of the talks. "We had hoped that we could say something about the conclusions of the talks between the Dutch state and Dasa. Unfortunately, this is not the case," Mr Martin Kuilman, outgoing chairman of the supervisory board, said.

The only news from yesterday's meeting was the announcement of the setting up of a leasing company, Debis Air Finance, on November 20. The Dutch company expects that some 34 leased aircraft on its balance sheet, representing the greater part of its Fl 1.3bn ($810m) fleet of leased aircraft, would, by the end of the year, be transferred to Debis in which Daimler-Benz would be a minority share holder. This would relieve part of the pressure on Fokker's balance sheet.

The company's shareholders equity is negative following a record Fl 651m loss in the first half of 1995. Fokker is being kept afloat by financial guarantees provided by Dasa.

Ronald van de Krol, Amsterdam

Banco di Napoli closures

Banco di Napoli, the troubled Italian bank, intends to sell or close chronically loss-making Italian branches, while unproductive foreign branches will be disposed of or turned into representative offices. The bank's directors agreed the measures yesterday as part of a restructuring plan, which will also include the transfer of part of the group's medium-term loans to third parties and the sale of property and non-strategic investments.

But there was no mention of how the board expected to recapitalise the bank, which last month announced a first-half loss of L1,560bn ($978m), the heaviest in Italian banking history. Attempts to restructure Banco di Napoli are apparently being threatened by internal rows about future strategy, and a barely concealed battle for political control of the bank, which is one of Italy's largest and oldest financial institutions.

Andrew Hill, Milan

Credito Italiano explains pact

Credito Italiano (Credit), the Italian bank, said yesterday its shareholder pact with Carimonte Holding, another banking group, was intended to protect the medium-term strategy of Rolo Banca 1473, the Bologna bank in which they have a majority stake. Rolo Banca was born last week after investors voted to merge Credito Romagnolo – the Bologna bank bought by Credit and its allies this year after a drawn-out takeover battle – with Carimonte's main banking subsidiary.

One clause in the pact gives each of the two main shareholders in Rolo Banca an option to buy the other's stake if control of Carimonte or Credit changes hands. The clause was attacked as a "poison pill", which would deter potential bidders for Credit by depriving them of its prime asset, and Consob, the Italian financial markets watchdog, had asked Credit to clarify the terms.

Mr Lucio Rondelli, Credit chairman, said that in the case of a change of control the option would be exercised at the average price of Rolo shares over the six months prior to the request. Credito Romagnolo shares currently trade at about L11,000, half what Credit and its allies paid earlier this year.

Andrew Hill

Heineken defends strategy

Heineken, the Dutch brewing group, yesterday denied reports in the Dutch press of a setback to its Japanese strategy. Algemeen Dagblad had reported Heineken Japan, the joint venture 51 per cent owned by Heineken and 49 per cent by Kirin Brewery of Japan, had decided to discontinue production of canned beer due to disappointing sales. Heineken said its Japanese strategy had proven very successful. It had begun exporting canned beer to Japan in March and discontinued local production at the same time, it said.

AFX News, Amsterdam

Finnair profits surge midway

Finnair, the national airline, yesterday announced pre-tax profits up from FM298m to FM462m ($108.38m) in the six months to September. Sales were almost static at FM3.62bn, compared with FM3.63bn in the same period the previous year. Finnair said it expected a "clear improvement" in full-year results over 1994/95.

AFX News, Helsinki

CURRENCIES AND MONEY

MARKETS REPORT

Sterling slips to fifteen month low against dollar

By Philip Gawith

A sceptical market response to the UK budget and uncertainty about the outlook for German interest rates was sufficient yesterday to drive sterling to a fifteen month low against the US dollar.

Traders remain worried that political imperatives will exert heavy, perhaps undue, downward pressure on UK interest rates in the months ahead. The government is also believed willing to tolerate sterling weakness as a means of boosting economic growth.

Sterling was also a victim of the dollar's rally against the D-Mark, based on the expectation of a possible in cut in German interest rates when the Bundesbank council meets today - desite an upward blip in the repo rate to 4.98 per cent, from 4.97 per cent.

The dollar failed to maintain its break above DM1.44, slipping back to close in London at DM1.4368. Against the yen it finished at Y101.56, from Y101.285.

Sterling fell to $1.5250, before recovering to finish in London at $1.534. The trade weighted index fell from 82.9 to match its record low of 82.2, before recovering to finish at 82.4. Against the D-Mark it closed at DM2.2039, from DM2.2172.

■ Sterling was certainly not the victim of a rout, although there was evidence of fairly broad-based selling, within the broader context of markets which remain quiet.

Some observers attributed selling mostly to more speculative investors, such as hedge funds and investment banks, while others reported selling from corporate customers as well.

■ **Pound in New York**

Nov 29	--Latest--	-- Prev. close --
£ spot	1.5350	1.5430
1 mth	1.5340	1.5419
3 mth	1.5325	1.5404
1 yr	1.5246	1.5314

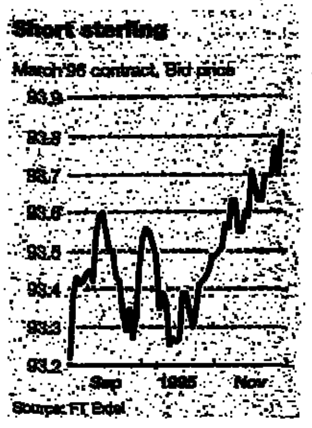
Mr Jonathan Griggs, economist at Barclays in London, said: "The impression in the market is that considerable monetary stimulus lies ahead." He said there was a belief that the authorities were following a policy of "benign neglect", and were "clearly quite happy with sterling at these levels."

Futures markets were certainly signalling the way to lower rates yesterday, with the March short sterling contract gaining eleven basis points to finish at 93.81.

Mr Ian Harnett, UK group chief economist at Societe Generale in London, said the Conservative party's electoral fortunes now appeared to lie squarely in the hands of monetary policy, "and when push comes to shove, sterling will take the strain."

Against a backdrop of forecasts for higher growth and public borrowing, he said a decision by the Chancellor to cut rates would inevitably be "tinged by an air of political expediency." Mr Harnett is forecasting sterling to test $1.50 and DM2.10 before the year is out.

Short sterling



Source: FT Extel

Ms Patricia Elbaz, technical analyst at MMS in London, said sterling's break of the long-term trendline support from the 1985 lows, at $1.5340, indicated further losses towards the $1.50 region. She said there was medium term potential for sterling to fall to $1.4065 - the February 1993 low.

Mr Jim O'Neill, chief currency strategist at Goldman Sachs, provided a more sanguine account of sterling's prospects. He said there was "little new justification - beyond an independent strengthening of the D-Mark - to become bearish for sterling."

He said its prospects needed to be seen in the context of "most G7 countries moving in the direction of tighter fiscal/easier monetary policies. Policy developments in the US and Germany are likely to be much more influential for currencies as we head into 1996 than developments in the UK."

Mr O'Neill sees sterling slipping to DM2.15 over a month, but then recovering to DM2.35 over six months. Against the dollar, he is forecasting $1.58 and $1.56 over one and six months.

Mr Roger Bootle, chief economist at HSBC Markets, said that an improving UK trade position and recognition that the government was not throwing money at problems would ultimately help sterling. Further out, he predicted that sterling might benefit from the move towards EMU.

■ Many observers believe that German rates need to be cut, perhaps as early as today. Mr Mike Rosenberg, head of international fixed income research at Merrill Lynch in New York, said: "The German economy is getting weaker by the day and it is the overvaluation of the D-Mark that is taking its toll."

He predicts the German discount rate falling to 3 per cent, from 3½ per cent, and perhaps as low as 2¾ per cent if growth does not recover.

■ **OTHER CURRENCIES**

Nov 29	£	$
Czech Rp	40.8408 - 40.8800	26.5020 - 26.5120
Hungary	205.259 - 206.454	134.500 - 134.550
Iran	4603.20 - 4600.60	3000.00 - 3000.00
Kuwait	0.4597 - 0.4608	0.2998 - 0.3003
Poland	3.8443 - 3.8486	2.5070 - 2.5090
Russia	7035.22 - 7035.70	4585.00 - 4588.00
U.A.E.	5.6316 - 5.6350	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Nov 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5068	-0.0935	989 - 146	15.6057	15.4502	15.4764	2.4	15.4178	2.3	-	-	106.6
Belgium	(BFr)	45.3129	-0.275	689 - 569	45.6020	45.0990	45.2079	2.8	45.0129	2.6	44.2279	2.4	109.1
Denmark	(DKr)	8.5303	-0.0489	255 - 351	8.5836	8.4934	8.5227	1.1	8.5061	1.1	8.4436	1.0	109.3
Finland	(FM)	6.5556	-0.036	488 - 623	6.5950	6.5240	6.5512	0.8	6.5431	0.8	-	-	88.2
France	(FFr)	7.5709	-0.0349	671 - 746	7.6041	7.5151	7.5675	0.5	7.5798	-0.5	7.5765	-0.1	110.6
Germany	(DM)	2.2039	-0.0133	029 - 049	2.2160	2.1941	2.1991	2.6	2.1894	2.6	2.1482	2.5	111.5
Greece	(Dr)	362.549	-0.499	366 - 732	365.249	360.434	-	-	-	-	-	-	66.7
Ireland	(I£)	0.9668	-0.0023	659 - 677	0.9702	0.9653	0.966	1.0	0.9647	0.9	0.9615	0.6	97.1
Italy	(L)	2449.72	-16.12	823 - 120	2464.35	2440.00	2456.97	-3.6	2471.87	-3.6	2540.02	-3.7	70.8
Luxembourg	(LFr)	45.3129	-0.275	689 - 569	45.6020	45.0990	45.2079	2.8	45.0129	2.6	44.2279	2.4	109.1
Netherlands	(Fl)	2.4680	-0.0152	665 - 695	2.4883	2.4575	2.4623	2.7	2.4511	2.7	2.4054	2.5	109.2
Norway	(NKr)	9.7061	-0.0583	994 - 128	9.7585	9.6625	9.6937	1.5	9.6718	1.4	9.5963	1.1	98.2
Portugal	(Es)	230.430	-0.85	286 - 574	231.111	228.334	230.97	-2.8	232.19	-3.1	-	-	95.3
Spain	(Pta)	187.809	-0.844	716 - 903	188.513	186.867	188.309	-3.2	189.249	-3.1	193.649	-3.1	81.8
Sweden	(SKr)	9.9924	-0.0755	837 - 011	10.0618	9.9131	9.9946	-0.3	9.9992	-0.3	10.0226	-0.3	88.8
Switzerland	(SFr)	1.7851	-0.0029	836 - 866	1.7908	1.7766	1.778	4.8	1.7661	4.2	1.7132	4.0	115.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.4
Ecu	-	1.1932	-0.0037	925 - 939	1.1956	1.1855	1.1922	1.0	1.1902	1.0	1.1817	1.0	-
SDR†	-	1.03891	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5337	-0.0125	332 - 342	1.5463	1.5242	-	-	-	-	-	-	-
Brazil	(R$)	1.4788	-0.0121	783 - 795	1.4908	1.4701	-	-	-	-	-	-	-
Canada	(C$)	2.0843	-0.0102	833 - 852	2.0966	2.0699	2.0854	-0.6	2.0874	-0.6	2.0912	-0.3	84.2
Mexico	(New Peso)	11.4510	-0.3867	248 - 773	11.7689	11.3801	-	-	-	-	-	-	-
USA	($)	1.5340	-0.0124	335 - 344	1.5465	1.5242	1.5331	0.7	1.5315	0.6	1.5238	0.7	93.7
Pacific/Middle East/Africa													
Australia	(A$)	2.0487	-0.0172	474 - 500	2.0685	2.0325	2.05	-0.8	2.0529	-0.8	2.0676	-0.9	86.2
Hong Kong	(HK$)	11.8648	-0.0978	605 - 690	11.9625	11.7918	11.8613	0.4	11.8489	0.5	11.8153	0.4	-
India	(Rs)	53.5425	-0.4346	038 - 812	54.0930	53.2250	-	-	-	-	-	-	-
Israel	(Shk)	4.7007	-0.0537	954 - 059	4.7533	4.6744	-	-	-	-	-	-	-
Japan	(Y)	155.788	-0.839	681 - 895	156.680	154.950	154.928	6.6	153.133	6.8	146.068	6.2	142.0
Malaysia	(M$)	3.9005	-0.0308	986 - 024	3.9307	3.8757	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3425	-0.0157	405 - 444	2.3611	2.3249	2.3484	-3.0	2.3577	-2.6	2.3833	-1.7	101.2
Philippines	(Peso)	40.1589	-0.3568	704 - 473	40.4100	39.9800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7532	-0.0466	512 - 551	5.8001	5.7170	-	-	-	-	-	-	-
Singapore	(S$)	2.1664	-0.0182	650 - 678	2.1829	2.1529	-	-	-	-	-	-	-
South Africa	(R)	5.6163	-0.0428	138 - 187	5.6602	5.5839	-	-	-	-	-	-	-
South Korea	(Won)	1179.99	-8.96	957 - 041	1189.72	1172.57	-	-	-	-	-	-	-
Taiwan	(T$)	41.8953	-0.3392	768 - 137	42.2499	41.6350	-	-	-	-	-	-	-
Thailand	(Bt)	38.5789	-0.2976	522 - 055	38.8740	38.3490	-	-	-	-	-	-	-

† Rates for Nov 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.1091	+0.0209	069 - 112	10.1410	10.0680	10.094	1.8	10.0639	1.8	9.9546	1.5	106.5
Belgium	(BFr)	29.5400	+0.08	200 - 600	29.6400	29.4100	29.499	1.7	29.42	1.6	29.12	1.4	106.6
Denmark	(DKr)	5.5610	+0.0125	595 - 625	5.5768	5.5387	5.5617	-0.2	5.5575	0.3	5.567	-0.1	106.5
Finland	(FM)	4.2737	+0.0111	705 - 768	4.2835	4.2522	4.2732	0.1	4.2722	0.1	4.2677	0.1	87.5
France	(FFr)	4.9355	+0.0175	345 - 365	4.9465	4.9075	4.9341	0.3	4.9327	0.2	4.9298	0.1	110.1
Germany	(DM)	1.4368	+0.003	365 - 370	1.4416	1.4300	1.4348	1.7	1.4306	1.7	1.415	1.5	110.7
Greece	(Dr)	236.350	+1.88	300 - 400	236.950	234.290	238.075	-8.8	241.275	-8.3	254.75	-7.8	66.4
Ireland	(I£)	1.5866	-0.0091	856 - 876	1.5975	1.5770	1.5868	-0.1	1.5869	-0.1	1.5934	-0.4	-
Italy	(L)	1597.00	+2.49	650 - 750	1601.50	1592.50	1603.75	-5.1	1615.8	-4.7	1673	-4.8	70.1
Luxembourg	(LFr)	29.5400	+0.08	200 - 600	29.6400	29.4100	29.499	1.7	29.42	1.6	29.12	1.4	106.6
Netherlands	(Fl)	1.6089	+0.0031	084 - 094	1.6222	1.6018	1.6062	2.0	1.6012	1.9	1.5812	1.7	106.4
Norway	(NKr)	6.3275	+0.0145	250 - 300	6.3620	6.2805	6.3237	0.7	6.3175	0.6	6.3075	0.3	97.3
Portugal	(Es)	150.220	+0.66	170 - 270	150.530	149.150	150.685	-3.7	151.595	-3.9	156.32	-4.1	95.6
Spain	(Pta)	122.435	+0.44	410 - 460	122.710	121.680	122.815	-3.7	123.585	-3.8	127.08	-3.8	81.5
Sweden	(SKr)	6.5142	+0.0098	104 - 179	6.5278	6.4870	6.5316	-3.2	6.5682	-3.3	6.7367	-3.4	87.9
Switzerland	(SFr)	1.1637	+0.0075	632 - 642	1.1690	1.1545	1.1601	3.7	1.164	3.3	1.1262	3.2	115.1
UK	(£)	1.5340	-0.0124	335 - 344	1.5465	1.5242	1.5331	0.7	1.5315	0.6	1.5238	0.7	82.3
Ecu	-	1.2858	-0.0065	852 - 860	1.2960	1.2826	1.286	-0.4	1.2867	-0.3	1.289	-0.3	-
SDR†	-	0.67105	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9641	-0.0001	640 - 642	0.9643	0.9640	-	-	-	-	-	-	-
Canada	(C$)	1.3588	+0.0043	585 - 590	1.3615	1.3568	1.3604	-1.5	1.3635	-1.4	1.3758	-1.3	83.3
Mexico	(New Peso)	7.4650	-0.19	500 - 800	7.4900	7.4500	7.4672	-0.4	7.4704	-0.3	7.4753	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3355	-0.0003	351 - 360	1.3365	1.3345	1.3373	-1.6	1.3409	-1.6	1.3606	-1.9	86.6
Hong Kong	(HK$)	7.7348	-0.001	343 - 353	7.7357	7.7342	7.7363	-0.2	7.7393	-0.2	7.7585	-0.3	-
India	(Rs)	34.9050	-	900 - 200	34.9900	34.8660	35.055	-5.2	35.36	-5.2	36.83	-5.5	-
Israel	(Shk)	3.0644	-0.0101	619 - 669	3.0750	3.0617	-	-	-	-	-	-	-
Japan	(Y)	101.560	+0.275	520 - 600	101.670	101.020	101.065	5.8	100.145	5.6	96.27	5.2	142.8
Malaysia	(M$)	2.5428	+0.0006	423 - 433	2.5435	2.5418	2.5428	0.0	2.5432	-0.1	2.5508	-0.3	-
New Zealand	(NZ$)	1.5270	+0.0021	263 - 279	1.5283	1.5253	1.5311	-3.2	1.5386	-3.0	1.5633	-2.4	-
Philippines	(Peso)	26.1800	-0.02	300 - 300	26.2300	26.1300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7507	3.7504	3.7511	-0.2	3.752	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4123	-0.0004	118 - 128	1.4130	1.4110	1.4089	2.9	1.4026	2.8	1.3778	2.4	-
South Africa	(R)	3.6613	+0.0016	608 - 618	3.6637	3.6600	3.6866	-8.3	3.7367	-8.2	3.9678	-8.4	-
South Korea	(Won)	769.250	+0.4	200 - 300	769.900	768.700	772.25	-4.7	775.75	-3.4	794.25	-3.2	-
Taiwan	(T$)	27.3120	+0.0005	080 - 160	27.3250	27.3010	27.332	-0.9	27.372	-0.9	-	-	-
Thailand	(Bt)	25.1500	+0.01	400 - 600	25.1650	25.1300	25.2375	-4.2	24.895	4.2	26.105	-3.8	-

† SDR rate per $ for Nov 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 28: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	4	8.00	3.50	-
France	5⅛	[illegible]	[illegible]	[illegible]	[illegible]	4.80	-	6.10
week ago	5⅜	[illegible]	5½	5½	[illegible]	4.80	-	6.10
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.97
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.52
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.60
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
week ago	2	[illegible]	2	[illegible]	[illegible]	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.60	5.47	5.43	5.41	-	-	-
week ago	-	5.60	5.47	5.42	5.39	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	3½	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	3½	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 - 3⅞	4 - 3⅞	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	5½ - 5¼	[illegible]	[illegible]	[illegible]	5¼ - 5	[illegible]
D-Mark	4 - 3⅞	4 - 3⅞	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9 - 8⅞
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	7 - 6⅞	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	3¼ - 3	[illegible]	[illegible]	[illegible]	2 - 1⅞	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	10½ - 10⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	1⅛ - 1	[illegible]	[illegible]	[illegible]	[illegible]	3 - 2⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.50	94.28	-0.30	94.59	94.25	51,506	42,259
Mar	94.74	94.58	-0.21	94.82	94.59	17,414	45,691
Jun	94.91	94.85	-0.10	94.96	94.85	4,786	36,617

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.13	96.12	-	96.14	96.12	18144	126831
Mar	96.35	96.32	-0.02	96.36	96.31	26545	166102
Jun	96.40	96.38	-0.01	96.42	96.37	15804	120761
Sep	96.32	96.30	-0.01	96.34	96.29	10010	106359

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.59	89.56	-0.04	89.60	89.53	7644	23066
Mar	89.91	89.87	-0.04	89.92	89.85	4847	31691
Jun	90.10	90.10	-0.03	90.14	90.10	933	16536
Sep	90.16	90.17	-0.04	90.23	90.16	259	9602

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.00	97.98	-0.02	98.01	97.97	3340	17113
Mar	98.27	98.23	-0.04	98.28	98.22	3583	25304
Jun	98.33	98.27	-0.06	98.35	98.27	1219	9688
Sep	98.23	98.21	-0.03	98.23	98.20	655	5272

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.73	94.68	-0.04	94.75	94.62	2225	7087
Mar	94.89	94.84	-0.03	94.91	94.80	1097	5469
Jun	94.98	94.95	-0.01	94.99	94.88	411	3861
Sep	94.92	94.90	-0.01	94.93	94.86	86	1837

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8950	0.17	0.65	0.97	0.11	0.28	0.37
8975	0.07	0.49	0.81	0.26	0.37	0.46
9000	0.03	0.35	0.66	0.47	0.48	0.58

Est. vol. total, Calls 825 Puts 25. Previous day's open int., Calls 18747 Puts 8091

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.83	16.71	4.884	2.134	5407	5.447	21.42	508.5	414.5	22.05	3.940	2.207	4.599	3.386	343.9	2.633
Denmark	(DKr)	53.12	10	8.876	2.594	1.134	2872	2.893	11.38	270.1	220.2	11.71	2.093	1.172	2.443	1.798	182.6	1.399
France	(FFr)	59.85	11.27	10	2.911	1.277	3236	3.260	12.82	304.3	248.1	13.20	2.358	1.321	2.753	2.026	205.8	1.576
Germany	(DM)	20.56	3.870	3.435	1	0.439	1112	1.120	4.404	104.5	85.21	4.534	0.810	0.454	0.946	0.696	70.69	0.541
Ireland	(I£)	46.86	8.821	7.829	2.279	1	2534	2.552	10.04	238.3	194.2	10.33	1.846	1.034	2.155	1.586	161.1	1.234
Italy	(L)	1.849	0.348	0.309	0.090	0.039	100.	0.101	0.396	9.404	7.665	0.408	0.073	0.041	0.085	0.063	6.359	0.049
Netherlands	(Fl)	18.36	3.456	3.068	0.893	0.392	992.7	1	3.933	93.35	76.09	4.049	0.723	0.405	0.844	0.622	63.13	0.483
Norway	(NKr)	46.68	8.788	7.800	2.271	0.996	2524	2.543	10	237.4	193.5	10.29	1.839	1.030	2.147	1.580	160.5	1.229
Portugal	(Es)	19.67	3.702	3.286	0.957	0.420	1063	1.071	4.213	100.	81.51	4.337	0.775	0.434	0.905	0.666	67.62	0.518
Spain	(Pta)	24.13	4.542	4.031	1.174	0.515	1305	1.314	5.168	122.7	100.	5.321	0.950	0.532	1.110	0.817	82.96	0.635
Sweden	(SKr)	45.35	8.537	7.577	2.206	0.968	2452	2.470	9.714	230.6	188.0	10	1.786	1.001	2.086	1.535	155.9	1.194
Switzerland	(SFr)	25.38	4.779	4.241	1.235	0.542	1373	1.383	5.438	129.1	105.2	5.598	1	0.560	1.168	0.859	87.28	0.668
UK	(£)	45.31	8.530	7.571	2.204	0.967	2450	2.468	9.706	230.4	187.8	9.992	1.785	1	2.084	1.534	155.8	1.193
Canada	(C$)	21.74	4.093	3.633	1.058	0.464	1176	1.184	4.657	110.6	90.12	4.795	0.857	0.480	1	0.736	74.76	0.572
US	($)	29.54	5.561	4.935	1.437	0.630	1597	1.609	6.327	150.2	122.4	6.514	1.164	0.652	1.359	1	101.6	0.778
Japan	(Y)	29.08	5.475	4.859	1.415	0.621	1573	1.584	6.230	147.9	120.5	6.413	1.146	0.642	1.338	0.985	100.	0.766
Ecu		37.98	7.150	6.346	1.847	0.811	2054	2.069	8.136	193.1	157.4	8.376	1.496	0.838	1.747	1.286	130.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6960	0.6970	-0.0010	0.6996	0.6940	24,334	63,546
Mar	0.6999	0.7005	-0.0007	0.7013	0.6974	1,372	5,414
Jun	0.7034	0.7034	-0.0006	0.7034	0.7020	27	576

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9900	0.9882	-0.0015	0.9929	0.9859	14,214	61,892
Mar	1.0014	1.0016	-0.0016	1.0024	0.9995	662	10,197
Jun	-	1.0140	-0.0016	-	1.0131	79	487

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8652	0.8607	-0.0050	0.8678	0.8576	12,595	34,872
Mar	0.8717	0.8700	-0.0037	0.8717	0.8657	484	2,725
Jun	-	0.8765	-0.0041	-	0.8760	4	511

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5432	1.5370	-0.0062	1.5444	1.5240	6,778	46,619
Mar	1.5340	1.5340	-0.0068	1.5340	1.5200	192	1,822
Jun	-	1.5280	-0.0098	-	1.5200	6	10

UK INTEREST RATES

LONDON MONEY RATES

Nov 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¼ - 6½	7 1/16 - 6⅞	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¼	5¼	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.3758pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1995. Agreed rate for period Nov 26, 1995 to Dec 25, 1995, Scheme II & III 8.07pc. Reference rate for period Sep 30, 1995 to Oct 31, 1995, Schemes IV & V 6.811pc. Finance House Base Rate 7pc from November 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.57	93.56	+0.06	93.61	93.55	32746	79465
Mar	93.77	93.81	+0.11	93.87	93.77	37485	84409
Jun	93.87	93.91	+0.14	93.96	93.84	29911	51892
Sep	93.78	93.83	+0.13	93.88	93.76	16360	42763
Dec	93.64	93.70	+0.13	93.73	93.64	7008	27905

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.12	0.41	0.59	0.06	0.10	0.18
9375	0.02	0.24	0.42	0.21	0.18	0.26
9400	0	0.12	0.28	0.44	0.31	0.37

Est. vol. total, Calls 16503 Puts 10119. Previous day's open int., Calls 182211 Puts 155534

EMS EUROPEAN CURRENCY UNIT RATES

Nov 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	195.792	186.175	-10.042	-4.91	9.69	33
Netherlands	2.15214	2.10458	-0.00192	-2.21	6.86	18
Belgium	39.3960	38.6268	-0.03	-1.95	6.38	14
Germany	1.91007	1.87935	-0.00155	-1.61	6.00	16
Austria	13.4383	13.2235	-0.011	-1.60	5.99	12
Spain	162.493	160.052	-0.015	-1.50	5.89	10
Denmark	7.28580	7.27219	-0.00566	-0.19	4.49	1
France	6.40608	6.43780	-0.02215	0.50	3.79	-4
Ireland	0.792214	0.826277	+0.006964	4.30	0.00	-29
NON ERM MEMBERS						
Greece	292.867	308.857	+0.861	5.46	-1.10	-
Italy	2106.15	2090.93	-0.73	-0.72	5.06	-
UK	0.786652	0.854512	+0.009041	8.63	-3.98	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.540	1.09	1.72	2.45	0.91	1.52	2.31
1.550	0.63	1.26	1.99	1.36	2.06	2.81
1.560	0.32	0.89	1.59	2.05	2.64	3.40
1.570	0.14	0.60	1.25	2.81	3.35	4.05
1.580	0.03	0.40	0.96	3.70	4.12	4.75
1.590	-	0.24	0.73	-	4.98	5.51

Previous day's vol., Calls 9,167 Puts 12,586. Prev. day's open int., Calls 240,187 Puts 263,698

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.25	94.26	+0.01	94.26	94.24	46,064	318,172
Mar	94.63	94.64	+0.01	94.64	94.63	77,526	427,420
Jun	94.69	94.71	+0.02	94.72	94.69	67,157	313,340

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.69	94.69	+0.01	94.69	94.68	1,636	7,658
Mar	95.02	95.04	+0.02	95.04	95.02	377	7,111
Jun	95.09	95.11	+0.02	95.11	95.09	57	1,010

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9600	0.14	0.34	0.36	0.37	0.02	0.02	0.04	0.05
9625	0.03	0.13	0.17	0.19	0.16	0.06	0.10	0.12
9650	0.01	0.04	0.06	0.08	0.39	0.22	0.24	0.26

Est. vol. total, Calls 2920 Puts 3600. Previous day's open int., Calls 286916 Puts 264922

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9775	0.24	0.53	0.61	0.01	0.05	0.08
9800	0.07	0.32	0.41	0.09	0.09	0.14
9825	0.02	0.16	0.24	0.29	0.18	0.22

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 11412 Puts 3356

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75	● Members of London Investment Banking Association	
Clydesdale Bank	6.75	Lloyds Bank	6.75	* In administration	
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

هكذا من الأصل

Asahi loses Y800m on Daiwa Bank share purchases

By Gerard Baker in Tokyo

Daiwa Bank's battered reputation received another blow yesterday when it was revealed that a leading life assurance company has lost up to Y800m ($7.8m) from buying Daiwa shares after the bank knew about heavy losses it had incurred through bond trading at its New York branch.

Asahi Mutual Life Insurance Company said that the bulk of the share purchases were made in the period between Daiwa's discovery of the $1.1bn bond-trading losses in August and public disclosure of those losses in September.

Asahi, one of Japan's leading institutional investors, confirmed that it bought more than Y4bn worth of Daiwa stock from brokers between August 20 and September 21.

Daiwa knew about the losses on July 24, but did not disclose them until September 26.

Asahi paid an average of just over Y800 for more than 5m shares. Following disclosure of the losses, Daiwa's shares fell by more than 25 per cent, to reach a low of just over Y600 at the end of October. As a result, Asahi is estimated to have lost up to Y800m.

The life assurer said it had been approached by Daiwa some time ago to buy its shares in order to improve their business relationship. Asahi said it was itself keen to increase its stake in the company, since it wanted to further its connections in the Osaka area where Daiwa is based.

Asahi informed Daiwa of its large purchases before it made them, information apparently made available to Daiwa's board.

"We are not sure at the moment whether there were any problems legally with the way the trading was done," Asahi said.

But it added that it would not rule out legal action if Asahi found that Daiwa had violated rules

The bank is already under fire for going ahead with an issue of 50m preferred shares at the end of July and for raising foreign currency funds in August, in full knowledge of the losses that had been incurred.

Daiwa was able to offset the losses by sales of other assets and last week reported sharply higher pre-tax profits for the six months to the end of September.

It was expelled from the US last month for failing to report the problems to US autherities and faces criminal charges relating to the alleged cover-up. It is also under investigation by regulators in Japan.

Growth slows at Japan's insurers

By Emiko Terazono in Tokyo

Results from Japan's leading life insurance companies yesterday show that they are continuing to operate in a tough environment.

The companies, with the exception of Nippon Life, saw premium income fall in the first six months to September due to cancelled policies. Combined premium income for the eight companies, which rose 13.4 per cent the previous year, fell 6.2 per cent.

As a result, they posted the slowest annual asset growth since they started reporting in 1989. Their combined assets grew by 5 per cent to Y141,557.3bn ($1,397.6bn).

The combined outstanding balance of insurance contracts with individual customers grew just 2.3 per cent, compared with 4.3 per cent growth a year earlier. This was the result of individuals refraining from buying new policies because their income had been hit by the economic downturn.

Sales activities also fell ahead of the planned increase in premiums next April. Investment performance was supported by securities sales.

Sumitomo Life, which posted the biggest jump in investment returns, recorded Y157.9bn in bond sales. Low interest rates are expected to continue to be a drag on investment returns in the second half.

Combined unrealised profits on domestic shares, which act as a buffer against investment losses, rose 59 per cent from the end of March to Y7,356.8bn, although the figure is a quarter of the peak figure at the end of 1989. The companies posted strong increases in recurring profits due to securities sales.

Their combined bad loans totalled Y469.5bn, a 26.8 per cent rise from the end of last March. Chiyoda had Y192.3bn in bad loans, while Sumitomo reported Y91.1bn. Restructured loans to the housing loan companies totalled Y570bn, with Nippon reporting Y150bn and Meiji, Y100bn.

The companies indicated that their investment strategies for the latter half of the year to March would remain risk adverse, with the bulk of the new funds being placed in the domestic bond market.

Dai-Ichi said that its total investment in domestic bonds stood at Y5,840bn at the end of September, following a Y800m increase during the first half. Sumitomo increased its domestic bond investments by Y1,700bn to Y6,540bn at the September interim book closing.

JAPANESE LIFE INSURERS: FIRST-HALF RESULTS

	Premium income (Ybn)	% change	Investment returns (Ybn)	% change
Nippon	3,026.1	+3.7	[illegible]	[illegible]
Dai-Ichi	2,102.3	-3.8	[illegible]	[illegible]
Sumitomo	1,771.1	-9.2	[illegible]	[illegible]
Meiji	1,316.9	-7.5	[illegible]	[illegible]
Asahi	975.6	-12.0	[illegible]	[illegible]
Mitsui	836.9	-9.8	[illegible]	[illegible]
Yasuda	823.2	-11.1	[illegible]	[illegible]
Chiyoda	481.9	-25.5	[illegible]	[illegible]

Acquisition helps Sappi post sharp advance

By Mark Ashurst in Johannesburg

Sappi, the South African paper and pulp group, posted pre-tax profits of R1.3bn ($355m) for the seven months to September 30, double those for the full year to last February.

The group's acquisition of US paper company S. D. Warren in December 1994, combined with a sharp rise in prices of pulp and related products, was reflected in an increased turnover of R9.3bn for the seven months, compared with R7.8bn for the preceding full year.

Earnings per share for the period were 600 cents, against 352 cents for the full year. The group is paying a dividend of 120 cents, up from 100 cents. It has changed its year-end to September bringing South African, German and UK offshoots into alignment.

Hannover Papier, the German subsidiary which exports half its production, benefited from higher prices, although this would be partly offset by the stronger D-Mark.

The S. D. Warren acquisition expanded Sappi's European operation and contributed R550m of the R1.7bn operating income for the period. However, higher selling costs failed to offset the rapid rise in pulp prices at the pulp-dependent UK-based operation. Net finance costs increased sharply to R413m from R195m following the acquisition. An improvement in gearing was "a priority", the company said.

Howard Smith quits shipping business

By Nikki Tait in Sydney

Howard Smith, the Australian diversified industrial group, is pulling out of the shipping business after almost 150 years. It currently owns or manages 16 vessels.

The company said it saw only "very limited" growth prospects in the oil tanker and dry bulk trades markets where its expertise lies.

It added that "the significant increase in industrial disruption of our maritime operations over matters not related to our business during the past 14 months – and a lack of real commitment to ongoing reform by industry participants – makes the industry look even less attractive as an investment option".

Waterfront labour relations have traditionally been among the most difficult in Australia, and there have been several national stoppages in the past 18 months.

The most recent, earlier this month, was in support of striking workers at CRA's bauxite mining operations in far north Queensland who are trying to preserve their collective bargaining rights.

Howard Smith said it planned a "phased withdrawal" from shipping, and it could be the end of 1996 before the process was completed. One bulk carrier has been sold, although it will remain in the company's service until early next year. Discussions are being held with the oil companies that charter the crude oil tankers.

Smith later indicated it expected a cash injection of about A$60m (US$45m) from the divestment of the shipping business.

It stressed that its towage and salvage operations – which encompass several UK ports, including Felixstowe – and its Patrick Sleigh Shipping Agencies were not affected by the decision to withdraw from shipping.

ASIA-PACIFIC NEWS DIGEST

Confusion reigns over CBA flotation

The Australian federal government is to appoint lead managers next week for the sale of its remaining 50.4 per cent stake in Commonwealth Bank of Australia. However, there is still confusion over how the sale will proceed.

Mr Kim Beazley, Australia's finance minister, indicated this week the federal government might consider selling its entire stake in this financial year, ending June 30. The stake, worth about A$4bn (US$3bn), would – if sold in one tranche – be the biggest equity offering the Australian stock market has been asked to digest.

The government had flagged the sale of its remaining CBA holding, but indicated it would be in two stages; the bulk would be sold in 1995-96 and the rest in 1996-97. The bank has also indicated it might spend about A$1bn buying back part of the stake for cancellation. CBA yesterday told the stock exchange it had been told that no decision had been taken on how the remaining shares would be sold. *Nikki Tait, Sydney*

Hindalco up 57% at halfway

Hindalco, India's largest integrated aluminium producer and part of the Aditya Birla group, *lifted net profits* 57 per cent to Rs2.09bn ($59.88m) in the six months to September 30. Sales grew 48 per cent to Rs6.13bn. The company attributed the strong performance to increased production and sales.

Analysts said capacity expansions, strong aluminium prices, and a shift towards value-added products, coupled with increasing efficiency and cost control, would bring further improvements. Gross profits increased 67 per cent, from Rs2.07bn last year to Rs3.45bn. Export sales increased 70 per cent from Rs283m to Rs481.9m.

Earnings per share on an annualised basis increased to Rs86.6, against Rs57.1. *Output of alumina rose to 168,014* tonnes, 8 per cent more than last year. Aluminium production increased by 5.3 per cent to 85,867 tonnes. Hindalco, which accounted for 34.5 per cent of the country's production of primary aluminium in 1994-95, has a strong advantage over domestic competitors because of its captive power plant at Renusagar. Power from state electricity plants is not only erratic and in short supply, but is also more expensive. *Shiraz Sidhva, New Delhi*

Swiss stake for CCA

Coca-Cola Amatil, the Australian-based soft drinks bottler with interests in Asia-Pacific and Europe, is to buy a one-third interest in Coca-Cola Getranke, a Swiss bottler that has a licence to make and distribute Coca-Cola products to three-quarters of the Swiss population.

The 33 per cent interest in the Swiss bottler was acquired from Calanda-Haldengut. No price was disclosed. The remaining shareholders in the Swiss company are Minute-Maid, a unit of the Coca-Cola company, and Germany's Winter group. CCA owns Boissons Desalterantes, which makes and markets Coca-Cola products to the remainder of the Swiss market. *Nikki Tait*

North slips in first quarter

North, the Australian resources group formerly known as North Broken Hill Peko, suffered a 17 per cent fall in first-quarter profits to A$20m (US$14.97m) after tax. Operating profits were slightly higher at $57.3m, mostly as a result of a sharp increase in profits from the gold operations which saw higher output and better prices. Revenues rose from A$197.7m to A$225.9m.

Exploration and development costs increased from A$8.6m to A$13.9m, largely because of evaluation work on the Yakabindie nickel project in Western Australia. North said it would decide soon whether to take up its option to buy up to 80 per cent of the project. *Nikki Tait*

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅜	—	£34	£29	2,109	2.7	15.5
Barlow	♣	[illegible]	+½	[illegible]	[illegible]	1,741	1.7	Φ
Gold Flds Prop R		134xd	+1	154	118	15.7	6.9	6.9
MK Props		85	—	85	85	3.46	13.9	-
SASOL	♥	459	-3	549	435	2,883	2.8	-
SA Brews		£22½	+¼	£22	£12¾	6,277	1.6	29.4
Standard Bank	□	£27⅝	+⅛	£27⅝	£20¼	3,337	1.7	18.1
Tiger Oats		1180	—	1180	700	1,730	1.7	Φ
Tongaat-Hulett	†	972	—	972	635	885.9	2.0	18.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- ▪ Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

24 ★ FINANCIAL TIMES THURSDAY NOVEMBER 30 1995

COMPANY NEWS: UK

More aggressive marketing campaign bears fruit for Argyll

By Neil Buckley

Argyll, the food retailer which owns the Safeway chain, showed its restructuring plan and more aggressive marketing campaign were bearing fruit as it announced a 4 per cent increase in interim pre-tax profits to £213.7m, and strong sales growth.

Before property losses of £1.5m, pre-tax profits for the 28 weeks to October 14 increased 5 per cent, from £205.3m to £215.2m - in line with expectations. The group warned, however, that a resurgence of price competition, especially on fresh foods, was likely to squeeze its gross margin in the second half.

The shares gained 7p to 312p.

The UK's third largest food retailer announced in May it was cutting 4,800 jobs, with exceptional costs of £195m, in a restructuring plan called Safeway 2000. The programme is designed to attract more family shoppers and improve sales densities in its stores.

Some 9,500 staff have swapped jobs with several thousand retrained. Ranges have been revised, and prices lowered on basic goods to improve customers' price perceptions.

Safeway has also increased advertising spending, launched a national loyalty card, ABC, which has 3m members, and adopted customer service improvements. Yesterday's sales figures suggested its actions were having an effect.

Group sales, including the effects of the disposal of many smaller Presto and Lo-Cost stores last year, increased only 1 per cent to £8.4bn, but total sales from continuing businesses increased 11 per cent.

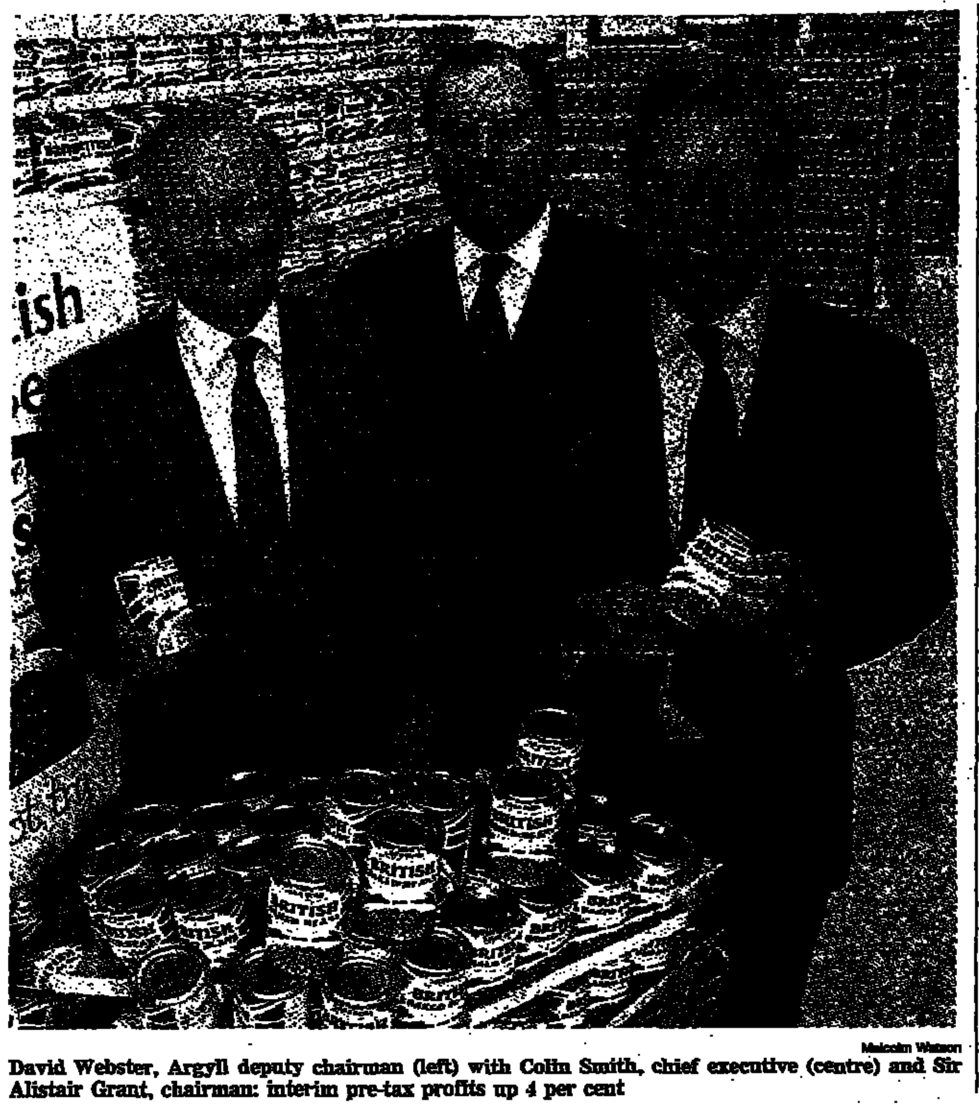
Safeway's sales grew 13 per cent to £3.15bn, with net new stores adding 5.3 percentage points. Like-for-like sales increased 7.8 per cent including 3.1 per cent inflation, and a 4.7 per cent volume increase. That was less than rival Tesco's recent 6 per cent volume increase, but well ahead of J Sainsbury's 2.2 per cent volume decline.

In the second half, total like-for-like sales growth was running at 9.6 per cent, with slightly lower inflation of 2.9 per cent - indicating a 6.7 per cent volume increase.

The interim dividend is 4 per cent higher at 4.05p (3.9p) on earnings per share up 3 per cent from 12.8p to 13.2p.

● COMMENT

Safeway's sales performance was impressive; the more so in recent weeks. But it has a cost. It was bought through a lower gross margin - expected to show little improvement in the second half - a twofold increase in advertising spending, and investment in a loyalty card, prompting questions as to how long it can be sustained. But weekly sales a sq ft of £13.84, compared with Safeway's mid-term target of £15, and £18-plus for industry leader Sainsbury, suggest there is still plenty to play for. Full-year profits forecasts of about £410m this year (against £375m before exceptionals) and £460m next put the shares on multiples of 13.5 and 11.3, making them look a little cheap compared with competitors.



Malcolm Watson

David Webster, Argyll deputy chairman (left) with Colin Smith, chief executive (centre) and Sir Alistair Grant, chairman: interim pre-tax profits up 4 per cent

Robert Fleming slips 22% on market gloom

By John Gapper, Banking Editor

Depressed stock markets and low broking volumes in Asia and Latin America led to a 22 per cent fall in interim pre-tax profits at Robert Fleming Holdings, the family-controlled investment bank, from £97.4m to £75.7m.

Flemings does not intend to make any fundamental change in its strategy to concentrate on emerging markets.

Mr John Manser, chief executive, said that most of its broking network had been profitable despite low equity volumes.

A decline at Jardine Fleming from $140m to $78m (£49.3m) in the half year to June 30 accounted for much of the group profits fall in the six months to September 30.

Despite the fall, Flemings declared a near 8 per cent increase in the interim dividend from 6.5p to 7p. It retained profits in its capital reserves of £42.5m, compared with £55.4m.

Mr Manser said Flemings intended to make its first venture into US domestic fund management by marketing funds in small companies for investors in the US and overseas. It had largely made up for previous poor performance in some UK funds.

The bank reported a "consistent deal flow" in capital markets both in the UK and in emerging markets. It led 13 equity issues.

Mr Manser said its Latin America network would continue to grow although it was still losing money because of very low stock market volumes there.

It is shortly to announce a partnership to open an office in Peru.

Mr Manser said Flemings intended to stay independent despite expressions of interest from other banks in the wake of the collapse of Barings. "Sometimes people ring up, but I never take them too seriously," he said.

He said he believed independence would remain viable, but could come under threat in the long term if Flemings was unable to attract talented staff because people preferred the security of working for the largest banks.

Alliance reshuffle as stake sold

By Motoko Rich

The largest shareholder in Alliance Resources has sold its stake in the US-based oil and gas group to Trans Arabian Energy investment company, leading to an overhaul of the board, including the appointment of a new chairman.

North American Gas Investment Trust has sold its total holding of 63m shares – 19.5 per cent of the company – at 2¾p a share. Alliance shares were unchanged at 3¼p.

The stake included 5m shares alloted to NAGIT on Monday to repay a $250,000 (£158,000) development loan.

Mr Patrick Maley, a director of Trans Arabian, was appointed executive chairman, and Mr Robert Sheard, non-executive director of Alliance, was made managing director.

Mr Mark Jones and Mr Paul Roberts of Trans Arabian become non-executive directors.

Mr James Prior, the previous chairman, is resigning both as non-executive chairman and as director of the company, effective immediately.

No finance director has been appointed, but Mr Nicholas Gray, a director, said the group was conducting an outside search to fill the post.

Trans Arabian Energy, owned by Middle Eastern investors, is helping to refocus Alliance towards opportunities in the former Soviet Union, eastern Europe and the Middle East.

The group has lodged a case in the High Court accusing its former chief executive, Mr John O'Brien, of fraud. The case began on Monday.

British Biotech's cash outlook good

By Daniel Green

British Biotech's chances of raising £48m over the next few weeks increased yesterday when its shares rose 50p to £10.43 ahead of the publication of the results of clinical trials for its cancer drug marimastat.

These results are the most important information likely to be published by the company ahead of the start of a warrant exercise period on December 11.

The warrants are exercisable at 525p each, providing a paper profit – at yesterday's close – of more than 500p a share.

They are likely to be exercised in full.

The warrant price yesterday rose 60p to 519p. Earlier this year they traded as low as 50p.

The interim results of phase II clinical trials are to be published today.

These are tests on patients rather than volunteers, but do not involve as many patients and are not conducted as rigorously as the final phase III trials.

The cash injection will be welcome for British Biotech, which is spending more than £30m a year on research and development, and has negligible sales so far.

Marimastat is now one of the company's most important drugs, along with lexipafant, a pancreas disease drug

When the company made its £94m rights and warrants issue in 1994, another cancer drug, batimastat, was hailed as its most promising product.

This year, the company downgraded the importance of batimastat in its research portfolio.

Waddington 16% ahead despite UK plastics loss

By David Blackwell

John Waddington, the printing and packaging group, lifted interim profits by almost 16 per cent in spite of a setback at its plastic container subsidiary.

Losses at its UK Plastona business, which makes containers for yellow fats, more than quadrupled to £1.4m in spite of a £1m reduction in costs.

The group was looking for an explanation for a big drop in demand in the second quarter, and was "reviewing a number of options".

Pre-tax profits for the six months to the end of September increased from £9.88m to £11.5m, helped by a fall in interest payable from £1.13m to £335,000.

This reduction in interest reflected the £50m sale last year of the games business, which contributed £2.2m to profits in the 1994 first half.

Operating profits on continuing businesses rose from £8.86m to £11.8m, including £517,000 from a US acquisition.

Turnover rose from £109.3m to £144m, partly reflecting increases in raw material prices, which have squeezed margins.

Mr Martin Buckley, chief executive, said that some polymer prices had risen by 50 per cent between April last year and this October, but had started to come down.

He described the reduction in raw material prices as the most significant factor for the second-half outlook, adding that the group hoped to hold on to some of its gains in selling prices.

Operating profits from the plastic packaging division, which includes Plastona, fell from £4.25m to £3.74m, while turnover rose from £58m to £64.4m.

Profits from the US food services business were flat, while the pharmaceutical packaging business doubled profits to £2.2m.

The paper and board packaging division lifted operating profits from £2.44m to £3.88m on improved sales of £41.8m (£24.2m), boosted by last year's acquisition of Imca, the Dutch cartons maker.

A high level of activity in the financial services sector helped lift specialist printing from £2.17m to £3.7m on sales of £35.1m, compared with £27.2m.

Earnings per share edged ahead to 7.9p (7.88p) and the interim dividend is lifted to 4p (3.8p).

● COMMENT

Any optimism surrounding last year's results has evaporated following the losses at Plastona. Options open to the management, which is unable to explain the fall in demand, appear few – invest further, sell, or close down. The last option looks the most probable, with the consequent costs. While the tradition of disappointments is continuing, the latest acquisitions are performing well and strong organic growth from direct marketing is driving the specialist printing division. Full-year forecasts of about £26m give a prospective multiple of 12. This looks fair enough in view of the yield of more than 5 per cent, which is high for the sector.

River Plate hastens pay-out

By Roger Taylor

River Plate & General, the split capital trust currently the subject of a bid from Jupiter Asset Management, said yesterday that it would pay out as much as it could to shareholders as soon as possible, by bringing forward its dividend.

As part of its results for the year to October 31, the trust is paying a dividend of 7.04p, compared to a final of 6.35p last year.

However, this will be a second interim rather than a final, so that it can be paid quickly.

River Plate said that this would "help to tidy things up in the light of the bid".

Total assets of the company rose 2.8 per cent during the year compared to a rise of 12.9 per cent in the FT-SE-A All-Share Index.

Jupiter Asset Management, which manages River Plate, is bidding for the trust, with shares in a new investment trust, the Jupiter Split Trust.

River Plate is due to be wound up on October 31 1996.

NEWS DIGEST

Domestic & General share sale

Mr Howard James, non-executive director of Domestic & General Group, sold shares in the company worth £435,000 yesterday. Mr James, who sold 30,000 shares at £14.50, was managing director of the electrical appliance insurer from 1975 until his retirement in 1993. He still owns 50,000 shares in the group.

● Mr John Napier, managing director of Hays, the business services group, sold shares in the company worth £573,000 yesterday.

Hays said that he had sold 150,000 shares at 382p to repay borrowings of £500,000 he incurred from exercising share options in the company last year. He retains 490,000 shares in Hays.

Business Post

Mr Peter Kane, chairman and majority shareholder in Business Post, has sold a 4.5 per cent stake in parcel and express mail group following his decision this month to take a non-executive role.

Mr Kane, who retains 28m shares or 56 per cent, sold 2.25m shares at 359p. He said the sale was a response to requests for increased liquidity in the shares. The Kane family still controls some 70 per cent of the group and said it had no plans to dilute its holding further.

Low & Bonar

Low & Bonar, the packing and materials group, has acquired Ex-Press Plastics for up to £4.3m and approved a C$16.3m (£7.5m) investment project for its multiwall bag businesses in Canada.

Low is paying an initial £3m with a further profit-related £1.3m for Ex-Press, a Norwich-based manufacturer of glass fibre reinforced plastic components.

At the completion date Ex-Press had net debt of £1m. In 1994 it made a pre-tax profit of £374,000 and had net assets of £1.9m.

The packaging investment will be phased in over 18 months to reduce the cost base of the three businesses in Calgary, Burlington and East Angus.

Lloyds TSB

Shareholders of TSB Group yesterday approved the bank's merger with Lloyds Bank, and the change of name of their company to Lloyds TSB Group. The merger is expected to take effect from December 28.

The shareholders also voted to allow TSB directors to make arrangements for Lloyds Bank share option holders to be given options over Lloyds TSB shares.

Elan raises $90m from warrants

By Daniel Green

Elan Corporation, the Irish drug delivery company quoted in Dublin, London and New York, said yesterday that it had raised $89.7m (£56.7m) through the exercise of 99.92 per cent of its 1990 series warrants which expired on November 14.

Each warrant entitled its holder to buy one Elan American Depositary Share at $15.25. The ADSs were up $⅝ at $46¾ in early trading in New York yesterday.

Elan also announced the appointment as a director of Mr David Bethune, former vice-president of American Cyanamid.

Elan has a market value of almost £1bn.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
African Gold Φ	6 mths to Sept 30	0.37	(0.11)	0.051♠	(0.001L)	0.05	(0.01L)	-	-	-	-	-
Andrews Sykes	6 mths to Sept 30	24.8	(26.3)	3.37	(1.95L♠)	14	(16.6L)	nil	-	nil	-	nil
Argyll	28 wks to Oct 14	3,178	(3,150)	213.7	(205.3)	13.2	(12.8)	4.05	Feb 19	3.9	-	12
Bandt	6 mths to Oct 1	55.7	(38)	1.89	(0.614L)	1.2†	(3.7L)	nil	-	nil	-	nil
CPL Aromas	*6 mths to Sept 30*	*13.6*	*(9.8)*	*1.41*	*(0.93)*	*8.8*	*(6.6)*	*1.8*	*Jan 9*	*1.2*	-	*3.7*
Evans of Leeds	6 mths to Sept 30	13.1	(12.3)	5.45	(4.67)	3.02	(2.65)	0.96	Jan 5	0.87	-	2.79
Foster (John)	6 mths to Aug 31	5.96	(6.17)	0.53L	(0.61L)	4.6L	(5.4L)	nil	-	nil	-	nil
JLI	6 mths to Sept 30	40.7	(54.3)	2.84♥	(1.73)	5.7	(2.8)	1.65	Feb 2	1.65	-	4.95
Le Riches Stores	28 wks to Oct 7	71.6	(66.6)	2.74	(2.47)	13.8	(13.1)	-	-	-	-	-
Marston Thompson	6 mths to Sept 23	85.2	(76.6)	13.9	(12.3)	11.19	(9.91)	2.5	Jan 16	1.76	-	6.56
Mid Kent Holdings	6 mths to Sept 30	19.49	(17.84)	5.34	(3.83)	23.7	(16.3)	6.25	Jan 16	5.3	-	12.6
Nat Home Loans	Yr to Sept 30	-	(-)	15.1♠	(11.4♠)	22.5†	(28.2)	1	Jan 31	nil	1	nil
Northamber	6 mths to Oct 31	95.7	(74)	2.04	(0.526)	8.16	(2.07)	0.6	Feb 1	0.5	-	1.7
Shield Diagnostics	6 mths to Sept 30	2.73	(2.25)	0.044	(0.02)	0.18	(0.1)	-	-	-	-	-
Tate & Lyle	53 wks to Sept 30	4,714	(4,221)	311.1♠	(273.8)	49.7†	(43.9)	11	Feb 6	9.8	16	14.4
Waddington (John)	6 mths to Sept 30	144	(122.8)	11.5	(9.88)	7.9	(7.88)	4	Jan 19	3.8	-	8.7
Wainhomes	6 mths to Sept 30	48.2	(48.6)	4.25	(5.28)	4.5	(5.7)	1.5	Jan 19	1.5	-	4.5
Yorkshire Water	6 mths to Sept 30	292.1	(275.4)	98.5♠	(87.2♠)	47.1	(31.9)	9.1	Feb 26	8.3	-	27.6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
North American Gas	Yr to July 31	68.3	(92.9)	2L	(0.24L)	5.68L	(0.68L)	nil	-	nil	nil	nil

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ΦAim stock. ♠After exceptional charge. ♥After exceptional credit. †On increased capital.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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	Selling Price	Buying Price	+ or -	Yield Gross
Citicorp Investment Mgmt (Luxembourg) SA				
Super Asia Infrastructure	$17.03		-0.03	-
Citimarkets SA				
Clan European Asset Value Fund				
NAV Nov 23	$10.25		+0.18	-
Clements Korea Emerging Growth Fund				
NAV Nov 24	$11.03		-0.16	-
Credis Investment Funds				

	Selling Price	Buying Price	+ or -	Yield Gross
Merrill Lynch Asset Management - Contd.				
World Natural Resources Portfolio				
Dragon Portfolio				
Global Allocation Portfolio				
Pacific Equity Portfolio				
Global SmallCap Portfolio				
Technology Portfolio				
Capital Portfolio				
Visionary Portfolio				
Monterey Trust SICAV				
NAV	$20.10			-
Morgan Stanley Sicav				
Murray Universal, Sicav				
NICAM Asia Pacific Umbrella Fund				
Nikko Asia Convertible Bond Fund				
Nikko Asia Conv Bond NAV	$9.50			-
Nikko Bank (Luxembourg) S.A.				
Nomura Asian Infrastructure Fd SICAV				
NAV	$19.86		-0.01	-
Pacific Basin Growth Fund				
Pan-Holding SA				
REIG Global Funds				
River & Mercantile Latin American SICAV				
Latin American NAV	$9.36		(z)	-
Rosenberg Global Mgmt Co SA (n)				

Abtrust International Ltd

Royal Life International

Camco Investment Management Ltd

Capital International

Cathay Investment Fund Limited

Chameleon Funds Limited

Chescor Indian Investment Company Ltd

The China Fund

Global Asset Management - Contd.

Magellan Emerging Mkts Mngt (Jersey) Ltd

Magnum Funds

Magus Asset Management Ltd

Malaysia Capital Fund Ltd

Malaysia Fund (Labuan)

Malaysia Growth Fund

Republic Funds

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

COMPANY NEWS: UK

Drought costs Yorkshire £20m

By Peggy Hollinger

Yorkshire Water yesterday warned that full year profits would be hit by the escalating costs of this summer's severe drought.

The company said the dry summer had cost it an extra £20m. Mr Trevor Newton, managing director, said final costs were "to a degree open-ended," given uncertainty over the weather. Yorkshire is spending £3m a week on an operation to ship 60,000 tonnes of water a day into the driest areas.

Mr Newton said just "one day's good rain" could eliminate the threat of water cuts posed by the company's request for drought orders. Meanwhile, the company was investing £75m in increasing water supplies.

Mr Newton refused to be drawn on the implications of the drought costs for dividends, beyond saying that Yorkshire maintained its strategy of lifting the dividend in real terms. In addition, Yorkshire had "no plans on the shelf" for a share buy-back. "At the moment the needs of the customers clearly have to take priority," he said.

His comments were accompanied by a 48 per cent increase in pre-tax profits to £99.5m, on turnover 6 per cent higher at £292.1m in the six months to September 30. Profits were struck after drought costs incurred in the first half of £4.6m, and a £2.6m gain on the sale of part of Yorkshire's stake in a cable investment. The rise was also helped by the absence of last year's £25m restructuring provision.

The core water divisions returned operating profits of £100.5m, against £72.2m last time.

The non-core division slipped to £1.6m (£2m). A difficult liquid waste market and planning delays which increased costs in the incineration business were behind the decline.

The interim dividend is increased by 9.6 per cent to 9.1p. Earnings rose by 48 per cent to 47.1p.

Sir Gordon Jones, chairman, visits the £15m extension to the Eshalt water treatment centre

● **COMMENT**

Yorkshire is learning that it does not pay to throw off quick quips while customers face the threat of water cuts. So its caution over elaborating on dividend policy and share buy-backs is to be commended. Nevertheless, the drought will surely have some effect on shareholders this year. Yorkshire will find it difficult in the short term to transfer its considerable balance sheet strength to investors through either share buy-backs or special dividends. In the longer term, these must remain real possibilities. Forecasts are for pre-tax profits, after estimated drought costs of £35m, of £179m (£142m). The full-year dividend is expected to rise by a modest 9.8 per cent to 30.3p. On fundamentals, Yorkshire looks undervalued. In the short term however, the drought problems make the shares look about right.

NHL dividend fulfils pledge

By Patrick Harverson

National Home Loans yesterday announced its first dividend payment for more than five years, fulfilling the pledge made in February when the mortgage lender won shareholders' approval for a £50.3m refinancing package.

NHL is reinstating the dividend after reporting a 32 per cent increase in annual pre-tax profits from £11.4m to £15.1m. Earnings per share fell from 28.2p to 22.5p in the wake of the rights issue which accompanied the rescue package. The group proposed a final of 1p – its first since March 1991.

A payment is possible because of this year's refinancing and capital reconstruction. Achieved despite opposition from rebel shareholders, it was designed to return NHL to a secure financial footing after the group almost succumbed to a mountain of bad property debts built up during the 1980s.

Mr Jonathan Perry, chairman, said the year to September 30 was one of "steady progress in a most difficult trading environment". Demand for loans had been weak because of the poor housing market and competition among lenders was intense.

He said NHL would continue to develop its non-traditional mortgage lending businesses such as debt collection, administration and securitisation. In July, the number of accounts administered by the group rose by about a third to more than 40,000 as it won a contract from a big US bank to run a portfolio of unsecured loan balances.

Net interest income fell to £39m (£63m) because of disposals and a drop in mortgage balances to £1.39bn (£1.67bn) as the rate of redemptions increased in the second half and new loans slowed.

Disposals also saw operating expenses fall from £23.2m to £19.6m.

Bad debt provisions declined sharply to £10.8m (£36.4m).

The shares rose 1p to 94p.

● **COMMENT**

February's rescue package represented a watershed for NHL, which teetered close to collapse three years ago. It is now making loans again, primarily through its new Homeloans Direct operation which is concentrating on higher-margin niches in the mortgage market, such as housing associations, the self-employed and shared-ownership schemes. Also, NHL is working to build fee-based businesses by exploiting its collection and administration know-how and debt servicing technology. When the housing market recovers, the group should be well placed to benefit, although it will remain burdened by its old low-quality loan book. Analysts expect profits to reach about £17m this year, which puts the shares on a multiple of just over 5, a big discount to the sector which should narrow as the new-look NHL pursues its safe-but-sure growth strategy.

Fox chases stake in Flextech channel

By Raymond Snoddy

Flextech, which manages and owns satellite television channels, has confirmed it is in exclusive negotiations on the future of Starstream, its children's channel, with Mr Rupert Murdoch's Fox television network.

Starstream is wholly-owned and trades as TCC.

Fox is set to take a 49 per cent stake in Starstream in a deal that could involve about £30m. However, the importance of the deal, which has yet to be finalised, lies more in the cementing of a permanent relationship between Fox and Flextech than the amount of money involved.

Twelve channels in which Flextech has an interest are carried on British Sky Broadcasting, the satellite venture 40 per cent-owned by Mr Murdoch's News Corporation.

Flextech, once an oil services company but now a media organisation, is also an investor with BSkyB in Playboy Channel in the UK.

There have been increasing alliances between Mr Murdoch and TCI, the world's largest cable company, which controls Flextech.

Joint projects include digital satellite television in South America and an international sports channel.

If the deal between Fox and Flextech goes ahead it is likely to include co-production deals and programme exchanges with the Fox Kids Channel in the US.

Speculation about a deal with Fox has helped to boost a rising Flextech share price which yesterday closed 5p higher at 495p. This compares with 345p 10 months ago.

In August Flextech announced pre-tax losses of £9m (£7.4m) for the six months to June 30. In the whole of last year it incurred a £18.5m loss.

McDonald takes over Sheff Utd

By Patrick Harverson

Mr Michael McDonald, the Manchester-based businessman whose diesel engine and agricultural machinery group L. Gardner made its stock market debut last week, has taken control of Sheffield United football club for £3.2m.

Mr McDonald, who tried to acquire Manchester City two years ago and has since looked at several other clubs, has acquired a 52 per cent stake in Sheffield United from Mr Reg Brearley, the former chairman.

The deal ends a protracted battle for the club, which is languishing in 19th place in the Endsleigh First Division.

The new chairman promised to invest more money, including £1.5m for new players. Funds would also be made available to build a £5m stand.

Mr McDonald said three Yorkshire businessmen, including the retail entrepreneur Mr Stephen Hinchliffe, would also invest in the club.

NEWS DIGEST

Northamber jumps to £2.04m

Northamber, the computer peripherals distributor, reported a jump in pre-tax profits to £2.04m in the half-year to October 31, up from £526,000, writes Katrina Lowe.

Sales rose 29 per cent to £95.7m (£74m). The company said the progress vindicated its policy of not sacrificing margins.

The results also benefited from significant supplier rebates.

Merrill Lynch, the company's broker, upgraded its forecast for the year to £4.1m, which compares with £3.11m last time.

The *interim dividend* is raised to 0.6p (0.5p) from earnings per share of 8.16p (2.07p).

Northamber is focusing on expanding both its specialist and higher margins products plus the continuing growth of its logistical and distributive services.

South Country

Taina Securities has acquired 1.5m shares, or 18.6 per cent, of South Country Homes, from Hambro Group Investments and 750,000 shares from Hambro Countrywide, both at 20p a share.

South Country shares jumped 7½p to 23½p.

So that South Country shareholders can participate in the sale of their shares Hambros Bank will make a partial offer for up to 1.62m shares, or 27.9 per cent, of South Country, excluding those held by Taina.

Mr Richard Grogan, of Taina, has agreed to join the South Country board and he said he intended to expand the company through acquisitions.

Jersey Phoenix

Jersey Phoenix Trust plans to raise about £8.5m through a placing and open offer of zero dividend preference shares at 100p.

The proposals, together with a reduction in the portfolio yield, would address a number of issues, directors said.

They include a one-year extension to the life of the warrants and it is also anticipated that the life of the company will be extended by nine years.

CPL Aromas

CPL Aromas, which produces and distributes flavours and fragrances, aromatic ingredients and aromachemicals, lifted interim pre-tax profits by 51 per cent from £930,000 to £1.41m. Turnover rose 39 per cent to £13.6m.

Mr Terry Pickthall, chairman, said order books throughout the group remained buoyant and it continued to win *new business.*

Earnings per share for the six months to September 30 were stepped up from 6.6p to 8.8p and the interim dividend is raised to 1.6p (1.2p).

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

US INDICES

Industrials	713.24	706.62	705.91	713.24 (28/11)	546.28 (3/1)	713.24 (28/11/95)	3.62 (21/6/82)
Financial	61.05	60.74	60.42	61.38 (18/10)	41.64 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	322.89	321.23	320.40	322.89 (28/11)	250.73 (3/1)	322.89 (28/11/95)	4.46 (25/4/42)
Amex Mkt Val	530.74	530.86	531.27	553.58 (12/9)	433.12 (5/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1050.05	1029.33	1030.17	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/73)

■ RATIOS

	Nov 24	Nov 17	Nov 10	Year ago
Dow Jones Ind. Div. Yield	2.32	2.35	2.39	2.87
	Nov 22	Nov 15	Nov 8	Year ago
S & P Ind. Div. yield	2.01	2.03	2.04	2.48
S & P Ind. P/E ratio	18.38	18.37	18.23	18.29

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Micron	10,150,200	54¾	+5¾
Vodafone	9,153,500	34	-½
BNI	8,352,100	32⅞	...
Hanson	5,798,800	15	+¼
Bader Intl	5,765,500	41½	+3
Telefonos	5,387,900	32¼	+1½
SCE	4,855,700	15¼	-1¼
Cntrywde Crd	4,843,900	20¼	-2½
K-Mart	4,436,200	7⅛	...
Motorola	4,322,600	65	+3¾

■ TRADING ACTIVITY

● Volume (millions)

	Nov 28	Nov 27	Nov 24
New York SE	408.866	356.177	125.384
Amex	21.725	18.564	5.519
NASDAQ	509.428	452.718	139.432
NYSE			
Issues Traded	3,082	3,094	2,872
Rises	1,229	1,287	1,160
Falls	1,044	1,051	775
Unchanged	809	756	937
New Highs	137	144	79
New Lows	20	27	11

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	607.30	608.30	−1.60	608.85	606.30	84,671	199,138
Mar	614.00	611.65	−1.60	614.20	611.65	11,130	28,860

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	18640.0	18530.0	−170.0	18770.0	18500.0	20,124	136,155
Mar	18890.0	18570.0	−180.0	18830.0	18550.0	15,951	64,738

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, November 29, 1995

	Stocks Traded	Closing Prices	Change on day
Toho Zinc Co	7.7m	710	-8
NKK Corp	7.1m	282	-7
NEC Corp	6.8m	1290	+20
Kobe Steel	6.5m	291	-3
Gunma Bank	5.9m	1060	-20
Toshiba Corp	5.5m	731	
Mitsui Min & Sml	5.2m	410	-2
Takara Shuzo	4.9m	1050	-20
Mitsubishi Hvy	4.2m	810	-5
Nippon Steel Corp	4.0m	353	-5

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INFORMATION FROM THE BANK OF ENGLAND

ISSUE OF £3,000,000,000

7½% TREASURY STOCK 2006

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 6 DECEMBER 1995

PAYABLE IN FULL WITH APPLICATION		Price bid
	With a competitive bid	Price bid
	With a non-competitive bid	£103 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 7 December 1995.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.

2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

3. The Stock will be repaid at par on 7 December 2006.

4. Stock issued under this prospectus will rank in all respects *pari passu*, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilts Office (CGO) on issue and on the register on registration.

5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1982 and the relevant subordinate legislation. Transfers will be free of stamp duty.

6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be sent by post. This further issue of the Stock will rank for the full six months' interest due on 7 June 1996.

7. The Stock may be held on the National Savings Stock Register.

8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

9. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.

10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.

11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.

12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purpose of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.

13. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be strippable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made strippable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which it is intended to introduce in connection with sale and repurchase agreements for gilt-edged securities. The starting date for an official strips facility will be announced in due course.

14. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 to 12 above in relation to such stripped securities are subject to modification. Information about other proposed changes in the tax regime for gilt-edged securities is contained in the document referred to in paragraph 26 below.

Method of Application

15. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may make competitive bids by telephone to the Bank of England not later than 10.00 am on Wednesday, 6 December 1995.

16. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than **10.00 AM ON WEDNESDAY, 6 DECEMBER 1995**; or lodged by hand at the Central Gilts Office, Bank of England, Bank Buildings, 19 Old Jewry, London not later than **10.00 AM ON WEDNESDAY, 6 DECEMBER 1995**; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than **3.30 PM ON TUESDAY, 5 DECEMBER 1995.** Bids will not be revocable between 10.00 am on Wednesday, 6 December 1995 and 10.00 am on Monday, 11 December 1995.

17. **COMPETITIVE BIDS**

(i) Each competitive bid must be for one amount and at one price expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	**£100,000**
£1,000,000 or greater	**£1,000,000**

(ii) Unless the applicant is a member of the CGO Service, **PAYMENT IN FULL AT THE PRICE BID** must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "7HTY2006", to arrive not later than 1.30 pm on Thursday, 7 December 1995.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). **APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID:** competitive bids which are accepted and which are made at prices above the lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

18. **NON-COMPETITIVE BIDS**

(i) A non-competitive bid must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing **PAYMENT AT THE RATE OF £103 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR** must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price. The non-competitive sale price will be **EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED**, the average being weighted by reference to the amount accepted at each price and **ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.**

(v) If the non-competitive sale price is less than £103 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.

(vi) If the non-competitive sale price is greater than £103 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price less £103 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made.

19. The Bank of England may sell less than the full amount of the Stock on offer at the auction. Cancellation of a sale of Stock will not affect the non-competitive sale price or any other sale of Stock.

20. The Stock will be, and the previous issue of the Stock has been, initially issued at a price such that it will not be a deep discount security for the purposes of Schedule 4 to the Income and Corporation Taxes Act 1988. Further issues of the Stock may be at a deep discount (broadly, a discount exceeding ½% per annum) and in certain circumstances this could result in all of the Stock being treated thereafter as a deep discount security. However, it is the intention of Her Majesty's Treasury that further issues of the Stock will be conducted so as to prevent any of the Stock being treated as a deep discount security for United Kingdom tax purposes. Provided the Stock is neither a deep discount security, nor treated as a deep discount security, any discount to the nominal value at which the Stock is issued will not represent taxable income for the purposes of the relevant provisions.

21. The Stock will be issued in registered form and allotment letters will not be issued. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form.

22. Certificates in respect of the Stock sold (other than amounts held in the CGO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid or CHAPS payment received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque or receipt of his CHAPS payment, but such notification will confer no right on the applicant to transfer the Stock so allocated. Certificates will be sent by post at the risk of the applicant.

23. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque or non-receipt of a CHAPS payment on the due date in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

24. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section C of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Thursday, 7 December 1995 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 7 December 1995 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock.

25. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilts Office, Bank of England, 1 Bank Buildings, Princes Street, London, EC2R 8EU or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Donegall House, 7 Donegall Square North, Belfast, BT1 5LU; or at any office of the London Stock Exchange.

26. Attention is drawn to the press release issued by the Inland Revenue on 28 November 1995, providing details of reform of the taxation of gilts and bonds announced by the Chancellor of the Exchequer on 10 July 1995, and to the Government Statement referred to in the final paragraph of this prospectus.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
29 November 1995

APPLICATION FORM

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 29 November 1995 as follows:-

FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid)

Nominal amount of 7½% Treasury Stock 2006 applied for: £

Amount of Stock applied for	*Multiple*
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:

£	32nds

Sum enclosed (a), being the amount required for payment IN FULL AT THE PRICE BID: £

FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price as defined in the prospectus)

Nominal amount of 7½% Treasury Stock 2006 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed (b), being £103 (c) for every £100 NOMINAL of Stock applied for: £

FOR CGO MEMBERS ONLY

CGO PARTICIPANT NUMBER.......................Tel No.......................

Name of contact.......................................

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that Stock sold to me/us be registered in the undermentioned name(s) and that any certificate be sent by post at my/our risk to the first-named holder at the address shown below and that interest payments be made in accordance with the instructions given below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION, I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION C, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 7 December 1995, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

SIGNATURE(S) ....

Date....................... of, or on behalf of, applicant

REGISTRATION DETAILS
Stock may be registered in the names of individuals or a corporate body.

CAPITAL LETTERS PLEASE

Title	Forename(s) in full	Surname
Address		
		Postcode
Title	Forename(s) in full	Surname
Address		
		Postcode

For Bank of England use

Box No. 705	Exd.	Transaction Number 167/
Batch Number	New Account No.	Cert Posted Date

Daytime Telephone Number (in case there is a query)

NOTE: The Stock will be registered on the Bank of England Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (for which there is a maximum limit of £25,000 nominal of Stock) or at the Bank of Ireland, Belfast, in which case please tick the appropriate box.

NSSR ☐ BELFAST ☐

(a) **Except in the case of members of the CGO Service who have completed Section C,** a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account Number 58560009) quoting the reference "7HTY2006", to arrive not later than 1.30pm on Thursday, 7 December 1995.

(b) A separate cheque must accompany each non-competitive application. Cheques should be made payable to the "Bank of England" and crossed "New Issues" and must be drawn on a bank in, and be payable in, the United Kingdom, Channel Islands or the Isle of Man.

(c) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON WEDNESDAY, 6 DECEMBER 1995; OR LODGED BY HAND AT THE CENTRAL GILTS OFFICE, BANK OF ENGLAND, BANK BUILDINGS, 19 OLD JEWRY, LONDON NOT LATER THAN 10.00 AM ON WEDNESDAY, 6 DECEMBER 1995; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON TUESDAY, 5 DECEMBER 1995.

هكذا من الاصل

4 pm close November 29

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
57¼	39⅝	SBC Cm	1.65	3.0	18	4666	54½	54	54½	+⅜
26¾	20½	Sceana Corp	1.44	5.5	16	362	26¼	26⅛	26¼	+⅛
18	14½	Scecorp	1.00	6.3	9	6456	15¾	15⅝	15¾	+½
11¼	6⅛	SchwnkA	0.25	3.9	17	38	6⅞	6⅝	6¾	
50¼	37¼	SchemRP			23	884	43⅝	42¾	43½	+½
57⅞	36½	SchPl	1.16	2.0	21	7910	57½	56⅞	57⅛	+⅛
69⅝	50⅛	Schlmb	1.50	2.3	24	5324	64⅞	64⅛	64⅛	-⅞
29	11¼	Schwab(C)	0.16	0.7	25	5076	23¾	23	23¾	+⅝
24⅞	11⅞	SciAtl x	0.06	0.4	23	2920	16⅞	16¼	16⅝	-⅛
20	16⅛	Scotsman	0.10	0.6	10	107	16⅝	16½	16½	
57	33½	ScottP x	0.40	0.7	16	6298	u57⅛	56⅝	56⅞	-⅛
39½	28⅞	Scripps x	0.52	1.3	27	464	u40¼	39½	40¼	+1
21½	13⅜	[illegible]	0.02	0.1		284	13⅞	13⅝	13¾	-⅛
11⅞	8⅝	[illegible] x	0.16	1.4		605	u11⅜	11⅛	11⅜	+⅛
20	13⅜	SeaCnt	0.70	3.9	2	35	18⅜	18	18⅛	
16⅞	14⅝	SeaC1.4625 x	1.46	9.4		22	15½	15¼	15½	
54	23⅝	Sgate				1110818	52	50⅝	51⅝	+1⅛
39½	26⅝	Seagrm	0.60	1.6	25	4500	37⅝	37⅛	37⅝	+⅛
22½	15¼	Seagull En			62	1358	18⅞	18½	18⅝	-⅛
30⅝	18	Sealed Air			25	583	30⅜	30¼	30⅜	
46	36⅜	SearsR x	0.92	2.3	10	6877	u40½	39	40¼	+1
19½	16⅞	[illegible]	1.15	6.1	22	251	19	18⅞	19	
12⅞	10⅞	[illegible] x	0.84	6.9		66	12¼	12⅛	12¼	
[illegible]										

[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 29

[illegible]

AMEX COMPOSITE PRICES

4 pm close November 29

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Cntrl FdA	0.01		78	4 13/16	4⅝	4 13/16	+1/16
Cominco	0.30	14	z100	21	21	21	-¼
CmpTch		76	66	8 7/16	8 5/16	8 7/16	+1/16
Computrac		18	132	2¼	2⅛	2 3/16	-1/16
Concd FbA		5	25	3¾	d3 11/16	3¾	
CrossAT A	0.64	23	404	16½	15⅞	16⅜	+¼
Goldfield			6	446	⅝	9/16	⅛
Greenman		18	148	12½	12¼	12⅜	-⅛
Gulf Cda	0.34	5	1726	4 5/16	4	4⅛	-1/16
HasDir		13	799	1⅝	1 9/16	1⅝	
Moog A		74	246	u14½	13⅝	14½	+1⅛
NSR Expl		16	45	1⅛	1 1/16	1⅛	+1/16
NatPatDev		32	133	8 13/16	8⅝	8⅞	+⅛
NY TmA x	0.56	20	3185	29¾	29¼	29⅝	-¼
ViacomA		157	398	47⅝	47	47⅜	+¼
ViacomB			7286	47⅞	47⅛	47⅞	+½
WRIT x	1.12	18	585	11⅛	10¾	10⅞	
Xytronix		2	314	1¾	1 9/16	1 11/16	-1/16

INTERNATIONAL CAPITAL MARKETS

Heavy cash and futures selling hits French prices

By Richard Lapper

France again found itself at the centre of attention in European bond markets, after a mixed day for international bond traders.

Hopes of interest rate cuts buoyed European markets earlier in the day, especially in the UK. But in the afternoon European markets fell back and French bond prices were hit by heavy selling in both the cash and futures markets.

Profit-taking was judged partially responsible but there were also indications of sales by US hedge funds, especially of shorter-dated paper.

Against a backdrop of continuing instability on the industrial front, as the railway workers' strike entered its seventh day, new indications of a hardline German stance on European monetary union also depressed sentiment.

Comments from Mr Hans Tietmeyer, the president of the Bundesbank, that the current 15 per cent fluctuation bands were "by no means normal margins", were seen by some observers as heralding efforts to tighten the criteria for EMU membership.

After falling sharply in the afternoon, the 10-year December bond future lost 0.70 to settle at 119.10, while December Pibor lost 0.30 to close at 94.28. In the cash market the 10-year yield spread of French bonds over German bunds widened by 7 basis points to 72 points.

■ Hopes of interest rate cuts helped the UK market to recover most of the ground lost late on Tuesday in its initially sceptical reaction to the budget. Short-dated bonds out-performed the long end, with the yield spread between benchmark two and 10-year bonds widening by 8 basis points.

GOVERNMENT BONDS

Traders said domestic investors were generally more bullish about interest rate prospects, with international investors more concerned about the impact of any rate cuts on sterling.

"There has been some genuine buying, much of it from domestic investors at the short-end," said Mr Jeremy Hawkins, chief European economist at Bank of America.

Later in the day, the market drifted back, with the December long gilt settling up about a quarter of a point.

Mr Simon Briscoe, chief UK economist at Nikko Europe, predicted that concerns about funding would revive in the run-up to next week's auction of £3bn 7½ per cent gilts due 2006. Terms were announced yesterday.

■ German government bonds opened firmer, gaining ground in early trading after publication of figures showing a fall of 1.4 per cent in the wholesale price index during October. The inflation rate dipped into negative territory to the tune of 0.4 per cent.

"While there may be an element of statistical noise due to the series re-basing to 1991, it does not deflect from the fact that German inflation pressures are dormant and the Bundesbank has no excuse not to cut rates as soon as possible," said Mr David Brown, chief European economist at Bear Stearns.

Although the securities repurchase rate was actually increased by 1 basis point to 3.98 per cent, analysts said this was due to month-end liquidity pressures. The December bund future settled at 98.29, up 0.02.

■ US Treasury prices were flat by late yesterday morning as traders prepared for an afternoon auction of five-year notes.

Near midday, the benchmark 30-year Treasury was just $\frac{1}{32}$ higher at 108$\frac{11}{32}$ to yield 6.224 per cent.

At the short end of the maturity spectrum, the two-year note was also up $\frac{1}{32}$ at 99⅞, yielding 5.425 per cent.

Bonds were higher in early morning trading as upward momentum spurred by the strong demand shown at the Tuesday afternoon auction of $18.25bn in two-year notes carried over into the first part of the session.

Yesterday, the Treasury was to auction $12bn in five-year notes. Bonds often move lower ahead of an auction as traders try to push down prices so yields will rise and entice retail buying.

Traders were also preparing for a wave of economic data to be released today, including figures on durable goods orders and November chains store sales. No economic data were released yesterday.

Non-core holders on the fast track

By Antonia Sharpe

EQUITY OFFERING

Equity issue dealers are gearing up for a rash of "block trades" as companies take advantage of buoyant stock market conditions to dispose of their none-core shareholdings.

A block trade requires an investment bank to use its own capital to buy the stake from the vendor. It then expects to make a "turn" or profit by selling the shares on to investors at a higher price. But if the market turns sour, the bank could suffer serious losses.

For the company selling the shares, this route is faster than a more formal secondary offering. However, it might have to accept a lower price in return for the speed and secrecy.

One of the most celebrated block trades in recent years was in 1992 when Hanson, the Anglo-American conglomerate, sold its 20m shares in ICI to Goldman Sachs, which placed them with investors. The deal, worth £280m, stunned the UK stock market because of its sheer size and boldness.

Dealers believe Hanson could choose this method to dispose of some or all of its stake in the National Grid Group, which is being demerged from the 12 UK regional electricity companies (Recs).

Hanson, along with four other companies which have bought recs recently, must sell their shares in National Grid within a year. Together they own about 40 per cent of National Grid, which at yesterday's grey market price of 216p was worth about £3.5bn.

Hanson's 12.45 per cent stake, worth about £455m, is by far the largest single shareholding. Dealers believe Hanson and the other four could sell their shares soon after December 11, when dealings in National Grid shares start.

Since the company will enter the FT-SE 100 index, demand is expected to be heavy, especially from index funds which need to build up a weighting. This pent-up demand would provide an ideal environment for a large block trade.

Block trades are also likely in France now that the lock-up period for many *noyaux durs* or core shareholders is close to expiry. Dealers expect holdings held by banks and insurance companies in Alcatel, Rhône-Poulenc and Saint-Gobain to come up for sale.

Among recent block trades in continental Europe, SBC Warburg is believed to have made a profit from buying a £20m stake in Brembo, an Italian maker of car brake discs and placing it with investors.

BZW in Indonesian move

By Antonia Sharpe

BZW, the investment banking arm of Barclays Bank of the UK, has bought a 60 per cent equity stake in Niaga Securities, an Indonesian stockbroking firm which it has helped to develop into one of the country's biggest brokers.

The stake was sold by Niaga's parent, Bank Niaga, for an undisclosed sum. BZW's links with Bank Niaga go back to 1990, when the pair teamed up to build up a stockbroking presence in Indonesia.

BZW said the agreement would transform its role in Indonesia from one of providing technical assistance to Niaga Securities to being a joint-venture partner. Subject to regulatory approval, the joint venture will be called PT BZW Niaga Securities.

GECC takes pricing into new territory with $250m offering

By Antonia Sharpe

A ground-breaking offering from GECC was the highlight of an extremely busy day in the primary eurobond market yesterday.

The recent compression in credit spreads and the strong investor demand for short-dated dollar-denominated securities meant that GECC was able to price its $250m three-year deal to yield 3 basis points less than US Treasuries.

Lead manager SBC Warburg said demand was being fuelled by the large amount of redemptions of dollar paper next month, in particular a $2.5bn deal by Sweden. GECC's bonds were snapped up, in particular by Swiss retail investors, and when they were freed to trade the spread was maintained.

Dealers said GECC's issue took pricing into new territory but they were uncertain whether further advancement could be made. They noted that a similar deal for Crédit Local, the triple-A rated French bank, failed to achieve a similar result.

Some said the spread on the bonds widened out to 5 basis points over Treasuries, but SBC Warburg, which also arranged Crédit Local's deal, quoted the spread at 3¼ basis points over Treasuries.

INTERNATIONAL BONDS

SBC Warburg added that Crédit Local's bonds were labouring under the differing views investors have towards French financial institutions.

Elsewhere, demand for emerging-market paper continued with big offerings from Mexico and Brazil being mentioned. South Africa said it was considering a sterling bond issue next year and appointed J.P. Morgan and SBC Warburg as the joint lead managers.

No details about the deal were given. However, South Africa is likely to hold similar roadshows to those held prior to its dollar and yen offerings.

Salomon Brothers announced the third sale of the debt that the UK government holds in privatised utilities. The sale is expected to take place early next year.

The Treasury currently holds debt with a face value of about £1.25bn issued by British Telecommunications, National Grid, Scottish Power, Northern Electric, Norweb and Sweb.

Yesterday's announcement referred to the bonds of the five electricity companies. Timing of the sale of BT's bonds will be announced at a later date.

● Holders of a $150m floating-rate note issue made in 1994 by Barings BV, the Dutch financing arm of the failed UK bank, came another step closer to getting their money back yesterday when a Dutch court agreed to put the company into liquidation.

The Dutch court's ruling means that a "flip" clause on another $150m bond issued in 1986 by Barings has been exercised, forcing the holders of those bonds to turn to Barings plc, the UK parent which is in administration, for repayment.

As a result, the 1994 bondholders are now the main creditors of Barings BV, which should be able to realise sufficient funds to repay them.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
WestLB Finance Curaçao	250	5.625	99.931R	Dec.1998	0.1875R	+5(5½%-98)	Lehman Brothers Intl.
GECC	250	5.50	99.82R	Dec.1998	0.1875R	-3(5½%-98)	SBC Warburg
Crédit Local de France	200	5.625	100.166R	Dec.1998	0.1875R	-3(5½%-98)	SBC Warburg
Lloyds Bank, Brazil branch★	150	9.00#	99.826R	Dec.1997	1.00R	+365(WI 2yr)	Merrill Lynch International
Banco Bradesco	100	8.625#	100.00R	Dec.1997	0.875R	+318(WI 2yr)	Citibank Frankfurt
Korea Long-Term Credit Bk.‡	100	(a)	99.807R	Dec.1998	0.20R	-	Salomon Brothers Intl.
D-MARKS							
Deutsche Ausgleichsbank	250	6.125	99.355R	Dec.2003	0.30R	+18(6%-03)	Trinkaus & Burkhardt
Finnish Export Credit	200	5.25	99.40R	Jan.2001	0.25R	+39(5¼%-00)	Deutsche/Yamaichi(Deutch.)
Hellenic Republic(b)‡	180	(b1)	99.85	Nov.2000	0.30	-	Citibank/ WestLB
YEN							
Republic of Turkey★	50bn	4.00	100.00R	Dec.1998	0.875R	-	Nomura International
SWISS FRANCS							
Deutsche Finance (Neths.)	100	3.625	103.30	Jan.2002	2.25	-	Deutsche Morgan Grenfell
Sociedad Comercial del Plata★	50	9.00	99.75	Dec.2000	1.50	-	Credit Suisse
STERLING							
Co-operative Bank(c)‡	75	(c1)	100.00R	Dec.2005	0.50R	-	ABN Amro HG/ UBS
Co-operative Bank(d)	50	9.375	99.277R	undated	0.75R	+170(8½%-05)	ABN Amro HG/ UBS
FRENCH FRANCS							
DGZ	500	7.00	99.76R	Dec.2005	0.325R	+15(7¾%-05)	Banque Indosuez
CANADIAN DOLLARS							
Bayerische Landesbank	100	6.75	99.17R	Dec.2000	0.25R	flat(7½%-00)	Toronto Dominion Bank
PESETAS							
Eksportfinans	10bn	9.765	101.525	Jan.2001	1.625	-	Bco. Santander de Negocios
DANISH KRONER							
Kommunekredit(s)	400	6.50	101.80	Dec.2000	1.875	-	Banque Paribas Lux.

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead mngr. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +30bp. b) Fungible with DM700m. Plus 19 days accrued. b1) 3-mth Libor +65bp. c) Callable annually from Dec.00 at par. c1) 3-mth Libor +75bp to Dec.00 and +125bp thereafter. d) Callable on 20/12/05 and every 5 yrs at par. If not called coupon is reset at the then 5-yr gilt +270bp. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	94.9400	+0.440	8.27	8.44	8.42
Austria		6.500	11/05	98.8200	+0.160	6.66	6.75	6.95
Belgium		6.500	03/05	98.3300	-0.190	6.74	6.81	7.05
Canada *		8.750	12/05	110.4900	+0.740	7.26	7.45	7.77
Denmark		7.000	12/04	97.7800	-0.100	7.34	7.51	7.90
France	BTAN	7.750	04/00	106.1250	-0.600	6.11	6.12	6.79
	OAT	7.750	10/05	105.6400	-0.490	6.95	6.98	7.55
Germany Bund		6.500	10/05	101.9400	-0.010	6.23	6.30	6.51
Ireland		6.250	10/04	91.8000	-	7.54	7.68	8.23
Italy		10.500	09/05	95.9900	-0.240	11.18†	11.32	11.90
Japan	No 129	6.400	03/00	120.7980	+0.180	1.28	1.31	1.48
	No 174	4.600	09/04	114.1040	+0.320	2.63	2.69	2.78
Netherlands		6.750	11/05	103.7400	+0.090	6.23	6.34	6.57
Portugal		11.875	02/05	109.0500	-0.200	10.29	10.48	11.22
Spain		10.150	01/06	98.1900	+0.160	10.28	10.39	10.80
Sweden		6.000	02/05	83.1470	+0.010	8.74	8.84	9.22
UK Gilts		8.000	12/00	104-11	+8/32	6.95	7.09	7.60
		8.500	12/05	106-10	+9/32	7.59	7.70	8.16
		9.000	10/08	110-10	+13/32	7.72	7.83	8.26
US Treasury *		5.875	11/05	100-01	+8/32	5.87	5.96	6.01
		6.875	08/25	108-21	+8/32	6.23	6.29	6.34
ECU (French Govt)		7.500	04/05	102.1600	-0.520	7.17	7.34	7.78

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

Prime rate	8¾
Broker loan rate	7½
Fed.funds	5 13/16
Fed.funds at intervention	-

Treasury Bills and Bond Yields

One month	5.46	Two year	5.46
Two month	5.47	Three year	5.51
Three month	5.51	Five year	5.65
Six month	5.50	10-year	5.87
One year	5.43	30-year	6.22

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	119.86	119.10	-0.70	119.86	119.08	139,708	107,632
Mar	118.94	118.26	-0.64	118.94	118.40	10,528	16,189
Jun	119.18	118.44	-0.70	119.18	118.92	640	3,444

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
116	3.15	2.80	-	-	0.50	-
117	-	2.10	-	-	0.78	-
118	1.15	1.47	-	-	1.21	1.56
119	0.24	0.99	1.60	0.15	1.65	1.98
120	0.03	0.60	1.16	0.88	-	2.57

Est. vol. total, Calls 24,547 Puts 18,616 . Previous day's open int., Calls 178,479 Puts 210,977.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.35	98.29	+0.02	98.45	98.24	123108	141588
Mar	97.77	97.70	+0.02	97.85	97.66	22330	76590

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9750	0.58	0.86	1.09	1.20	0.38	0.66	0.89	1.60
9800	0.33	0.63	0.83	0.98	0.63	0.93	1.13	1.88
9850	0.17	0.43	0.62	0.79	0.97	1.23	1.42	2.19

Est. vol. total, Calls 12229 Puts 7990. Previous day's open int., Calls 144322 Puts 107574

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	104.84	104.44	-0.26	104.92	104.34	38977	34955
Mar	104.42	104.08	-0.24	104.54	104.00	4963	7960

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10400	1.90	2.46	1.62	2.88
10450	1.66	2.22	2.08	3.14
10500	1.44	2.00	2.36	3.42

Est. vol. total, Calls 3549 Puts 3407. Previous day's open int., Calls 17637 Puts 15425

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	92.68	92.32	-0.34	92.70	92.24	52,579	35,609
Mar	92.30	92.22	-0.14	92.30	92.15	1,822	5,256

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-15	109-23	+0-08	110-00	109-09	75617	77663
Mar	109-00	109-08	+0-08	109-14	108-26	25308	60602

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
109	0-62	1-30	1-50	1-60	0-50	1-18	1-38	2-20
110	0-33	1-00	1-19	1-33	1-21	1-52	2-07	2-57
111	0-15	0-41	0-58	1-10	2-03	2-29	2-46	3-34

Est. vol. total, Calls 2449 Puts 1922. Previous day's open int., Calls 18916 Puts 15604

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	90.62	90.26	-0.36	90.70	90.14	3,289	10,277
Mar	89.40	89.18	-0.34	89.42	89.14	601	100

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	118-03	118-08	+0-05	118-14	118-03	298,197	269,496
Mar	117-26	117-31	+0-05	118-06	117-26	68,858	150,798
Jun	117-14	117-16	+0-05	117-21	117-13	1,994	13,602

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	123.40	-	-	123.43	123.35	328	0
Mar	122.05	-	-	122.08	121.98	2274	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Nov 29	Day's change %	Tue Nov 28	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	123.28	+0.20	123.03	2.26	9.72
2 5-15 years (22)	148.81	+0.20	148.51	1.55	11.73
3 Over 15 years (8)	166.42	+0.09	166.27	2.58	12.13
4 Irredeemables (6)	190.83	+0.13	190.59	1.19	13.47
5 All stocks (58)	144.28	+0.16	144.02	2.00	11.18

	Low coupon yield Nov 29	Low Nov 28	Low Yr. ago	Medium coupon yield Nov 29	Medium Nov 28	Medium Yr. ago	High coupon yield Nov 29	High Nov 28	High Yr. ago
5 yrs	7.08	7.10	8.41	7.05	7.10	8.46	7.11	7.18	8.62
15 yrs	7.75	7.76	8.36	7.80	7.81	8.48	7.85	7.86	8.73
20 yrs	7.82	7.82	8.33	7.85	7.85	8.48	7.88	7.89	8.65
Irred.†	7.88	7.89	8.41						

Index-linked	Wed Nov 29	Day's change %	Tue Nov 28	Accrued interest	xd adj. ytd
6 Up to 5 years (1)	194.97	+0.12	194.73	0.82	8.37
7 Over 5 years (11)	188.85	+0.08	188.69	1.29	4.45
8 All stocks (13)	188.86	+0.09	188.70	1.28	4.54

	Inflation 5% Nov 29	Inflation 5% Nov 28	Inflation 5% Yr. ago	Inflation 10% Nov 29	Inflation 10% Nov 28	Inflation 10% Yr. ago
Up to 5 yrs	2.74	2.79	3.88	1.58	1.62	2.88
Over 5 yrs	3.53	3.53	3.86	3.33	3.33	3.67

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 29	Nov 28	Nov 27	Nov 24	Nov 23	Yr ago	High*	Low*
Govt. Secs. (UK)	95.34	95.09	95.44	95.14	95.01	92.06	95.51	90.22
Fixed Interest	113.92	113.82	113.58	113.90	113.86	109.14	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 28	Nov 27	Nov 24	Nov 23	Nov 22
Gilt Edged bargains	110.7	100.7	97.5	86.8	93.9
5-day average	97.9	94.0	91.4	91.5	96.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 29

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Shorts (Lives up to Five Years)						
[illegible]						

NORTHERN IRELAND

IN THIS SURVEY

Leading the peace (left to right): US president, Bill Clinton; John Hume, the SDLP leader; Irish prime minister John Bruton; British prime minister, John Major; David Trimble, the UUP leader; and Gerry Adams, the Sinn Féin president

Hope lies in taste of peace

A year after the ceasefires, life has resumed an air of normality, say John Murray Brown and John Kampfner. But progress towards a lasting settlement is slow

The guns are silent. Peace in Northern Ireland is palpable but not secure. As President Bill Clinton embarks on his long-awaited visit to the province, attempts to anchor those gains with a new political settlement, which can win the allegiance of both unionist and nationalist communities, are making slow progress.

In the past 15 months, since the IRA announced its ceasefire on August 31, 1994, followed weeks later by loyalist paramilitary groups, two parallel processes have been taking place.

At one level, life has assumed a normality not previously experienced by an entire generation that has endured more than 25 years of "the troubles". Belfast, Londonderry and other towns have enjoyed a consumer boom, which has now been underlined by the recent decision of J Sainsbury, the UK food retailer to open seven stores at locations throughout the province. Inward investment is arriving steadily. Last week Montupet, the privately owned French car components company, announced a £142m expansion of its west Belfast plant, with the promise of almost 1,400 jobs for the Catholic nationalist blackspots, Twinbrook and Poleglass.

The UK government has been promoting the province as a foothold in the European Union, while emphasising the low cost of labour as a result of Britain's opt-out from the Maastricht treaty. Unemployment is falling, though at nearly 12 per cent of the workforce, Northern Ireland remains one of the worst afflicted regions of the UK. Manufacturing output continues to outpace that in the rest of the UK and there is evidence of a new confidence among Ulster companies as they expand sales to export markets. A high-profile investment conference was hosted by John Major in Belfast last December, and a follow-up event held in Washington last May.

The results will be slow to appear. Many companies have delayed making a long-term commitment until the security and political situation is clearer, but there are encouraging signs that existing investors are putting down deeper roots, expanding their research and development operations, and increasing the local sourcing of materials. Their success will encourage others.

Everyday changes on the ground have come in incremental stages. Nearly 2,000 British troops, representing half the emergency tour battalions, have been withdrawn. The Protestant-dominated Royal Ulster Constabulary, reviled and feared by many Catholics, has shed much of its armoury as it is forced to relearn the skills of community policing. The obtrusive paraphernalia of the British army presence is being dismantled, with the Rosemount security tower in the Bogside in Derry, where Mr Clinton will visit tomorrow, the latest eyesore to be removed. In short, as the memory of the bombs and shootings and other acts of violence recedes, so officials hope the sweet taste of peace will undermine the resolve of the terrorists, enabling the province's 1.5m people to continue to go about their daily business without fear and in expectation of better things to come.

It will not happen overnight. Community tensions persist, and have been reflected in a wave of arson attacks on churches and protestant Orange lodges during the summer. Paramilitary groups administer their own form of justice to members of their communities whom they consider to have transgressed their laws. Both governments have expressed concern at these punishment beatings, although officials have acknowledged that extensive reform of the RUC will also have to take place, along with a reassessment of Britain's emergency anti-terrorist legislation.

Much will depend on advances on the political front, the other strand of the process, which to many outsiders remains a netherworld of obtuse language, nuances and subtexts, dictating each move in the negotiations. On several occasions the process has been in danger of breaking down, especially in recent months when London and Dublin have appeared unable to break the impasse on the vexed question of whether Sinn Féin should be allowed into all-party talks before the IRA, its military wing, hands over at least some of its weapons.

Attracting investment: Montupet has announced a £142m expansion of its west Belfast plant

Often the differences separating the sides have seemed semantic. But underlying the word-games are deep-rooted suspicions and antagonism, which both governments are now trying to consign to the past by securing a new agreed order for Ireland.

That process was set in train in December 1993 by the signing of the Downing Street declaration by Mr Major and his then Irish counterpart, Albert Reynolds. It was by no means the first attempt to seek a political solution to the "troubles" since the imposition of direct rule from London in 1972. Margaret Thatcher and Garret FitzGerald broke the ice with their Anglo-Irish agreement in 1985. The document, in which Britain disavowed any "selfish" interest in Northern Ireland, was seen as laying the foundations for an eventual settlement.

A series of secret meetings between British officials and Sinn Féin in 1994 established the first links. Although the political atmosphere was improving slightly, the IRA's announcement of a ceasefire stunned the people of Northern Ireland. Sinn Féin activists celebrated: expectations were raised that an end of hostilities would lead to full political recognition.

British ministers have been more sceptical. First, they sought to assure themselves of the permanence of the IRA's move. Last March during a visit to Washington, Sir Patrick Mayhew, the Northern Ireland secretary, outlined three conditions for Sinn Féin's participation in all-party negotiations: acceptance of the principle that IRA arms should be decommissioned; acceptance of ways this might be achieved; and a first step in handing over some of the weapons.

It was this last principle, which came to be known as "Washington Three" which went to the heart of the deadlock. Sinn Féin saw in it a device to secure a republican surrender. The British had sought by using the neutral term decommissioning to dispel such suspicions. But still they insisted on a physical transfer of weapons by the IRA to demonstrate good faith. The political process remained stymied for months, with Dublin and Washington becoming more worried and frustrated.

The government's room for flexibility on the arms issue has arguably been further curtailed, with the election in October of the protestant hardliner David Trimble as leader of the Ulster Unionists, the province's largest party. The Sinn Féin president, Gerry Adams, has done little to bolster Unionist confidence by a series of threats of a return to violence. In the absence of any movement towards the talks table, the parties have resorted to posturing and megaphone diplomacy, further deepening the public's distrust of its elected politicians.

More worrying has been the potential damage to the frail Anglo-Irish relationship which came under intense strain in September when Mr Bruton cancelled a summit with Mr Major at the last moment. The two sides had appeared on the point of agreeing on a new strategy designed to circumvent the decommissioning impasse.

The "twin track" approach envisaged preliminary talks involving all of the province's parties with the British and Irish governments, and, concurrently, an international commission that would look into the question of arms.

All sides were happy to accept as the commission's chairman George Mitchell, a former senator who had become Mr Clinton's adviser on Northern Ireland's economy. But they could not agree on its remit or how firm a deadline they should set for the start of the round-table full negotiations to follow.

Britain maintained its insistence that it was not yielding on "Washington Three". It dismissed accusations of intransigence, however, pointing to a relaxation of prisons policy, making possible the early release of more than 80 paramilitary inmates, and to other measures designed to enable the province to return to greater normality.

As the British and Irish governments indulged in mutual recriminations, increasing hopes were pinned on Mr Clinton. Whatever the administration's success in brokering solutions in the Middle East and Bosnia, the Americans sought to play down their scope on Northern Ireland. Yet, the steady stream of politicians from all parties to Washington testified to the importance of the US role. However, repeated attempts to bring influence to bear on Mr Adams seemed to yield little.

The consequences of failure would be immense for all concerned. For Mr Major, whose government has stumbled through a succession of crises, its majority at Westminster diminishing all the time. the handling of the Northern Ireland issue has, until recently, won consistent plaudits.

Labour has provided staunch support, making clear that whatever the calculations in parliament, it would never use the issue to try to bring down the government. The fate of Mr Bruton's coalition also rests on success.

The UK government is relying largely on the people of the province to bolster the peace. Each day without bombs makes a return to violence less likely. Each improved set of economic figures reinforces the process. Recent arms finds south of the border have served, however, only to underscore the fragility of what has been achieved so far.

Belfast city centre: a consumer boom is demonstrating renewed confidence Chris Mason

Photograph by Colin Boyle from 'Parallel Realities' (Blackstaff press, Belfast)

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		88½	—	98	50¼	6.31	19.8	–
Cater Allen	♣v	403	—	425	418	147.7	8.0	8.8
Close Bros	♣♦v□	319	+1	*340½	218¼	383.1	3.4	14.4
Gerrard & Nat	♣v	454xd	—	480	385	221.8	6.2	14.7
Hambros	v□	201xd	—	253	180	355.4	4.7	–
7½pc Cv Pf		97	—	112	94	125.0	8.7	–
Joseph (L)	♣v	463	—	469	353	24.5	4.8	25.9
King & Shaxson	♣v□	130	+3	145	85	33.4	8.7	10.1
Rea Brothers	♣v	45	—	67	44	21.9	2.8	18.0
Schroders	♣†v□	1323	—	*1470	906½	2,812	1.3	19.0
N/V	†v	1135	—	*1180	823¼	489.4	1.6	16.2
Singer & Fried	♣†v□	110	—	110	81	218.4	4.2	11.4
8½pc Cv Ln 08/14		£136¼	+¼	£138¼	£100	41.8	6.2	–
Union	♣v□	111	—	121	70	28.8	3.4	–
Wintrust	♣v	275	—	285	200	23.6	5.2	15.7

BANKS, RETAIL

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£29¾	+½	£29⅞	£21½	8,989	4.4	10.8
ANZ A$		289	+5	289	198	4,016	5.6	ф
Abbey National	♣†v□	635	+17	635	413	8,382	3.8	12.7
Allied Irish IE	♣†□	353	—	368	250	2,968	4.1	10.3
Anglo Irish IE	□	65xd	—	70	48	229.7	6.7	ф
Asahi Y	□	739	-6¼	857¼	605¼	17,885	0.6	–
Banco Bil Viz Pta	□	£21⅛	+⅛	£21⅛	£14⅜	4,957	3.9	9.6
Banco Sant Pta		£31⅛	—	£31⅛	£22⅞	4,971	4.3	21.1
Bk Ireland IE	†v□	467xd	—	479	288	2,220	3.6	9.4
Bank Scotland	♣†v□	288xd	-2	276	191½	3,108	2.9	11.9
9¼pc Pf		117xd	+2	120	109¼	117.0	9.8	–
New 9 1/4pc Pf		117xd	+2	118¼	108¼	117.0	9.9	–
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT

INVESTMENT COM

LEISURE & HOTELS

هكذا من الأصل

■ **Retailing:** by John Murray Brown

On the brink of revolution

Sainsbury's plan for seven shopping centres has highlighted the region's potential

J Sainsbury, the stores group, could be forgiven for feeling a little put out by what has been the less than enthusiastic response to its announcement in June that it was investing £100m in seven out-of-town shopping centres across the province.

Northern Ireland has often been seen as a convenient laboratory for untried government policies, but here was a proposed development, its critics said, which would almost certainly not receive approval on the British mainland, where the company has had 10 of its last 12 planning applications rejected, and where the environment minister John Gummer has ruled against new out-of-town retail developments.

Mr Gummer's powers do not extend to Northern Ireland, which has its own environment minister. But the grumble of local stores groups is that planning rules are being bent to accommodate Sainsbury because of the importance of such a high profile investment for the peace process and the much vaunted "feel good factor".

"The amount of attention has been a surprise," says Huw Williams, of the company's property divisions, who first learnt of a challenge to one of the company's site proposals when watching an interview with the senior planning officer on a local BBC programme.

For Sainsbury and the large UK multiples, the attractions are clear. In Northern Ireland, the retailing sector has remained relatively immune to the depredations of the "troubles", although the bomb damage to stores, as in the case of other commercial premises, has added considerably to insurance and other costs.

One of the anomalies of the Northern Ireland economy is that the province enjoys higher levels of disposable income than other parts of the UK, as a result of lower housing costs, in terms of both both rents and mortgage rates.

The opportunity for growth is evident. Marks and Spencer's Sprucefield stores near Lisburn is its most profitable unit in the UK. Last year, all the city centre stores reported record Christmas takings, as security restrictions were lifted, and the province attracted shoppers from the Republic of Ireland, many of them coming to Northern Ireland for the first time.

Sainsbury's chosen sites are targeted not just at the population in the big urban centres, such as Belfast, but also seek to capture some of the demand from border counties, such as the Donegal hinterland.

The immediate beneficiaries will be Northern Ireland's consumers. But local suppliers should also see a growth in their business. Campbell Tweedie, of Dungannon Meats, which already supplies about £40m worth of goods a year to Sainsbury says the deal will open the door to a UK market of 60m consumers.

Causeway Communications, the public relations firm acting for Sainsbury, claims surveys show an overwhelming public support for the plans.

"When the small supermarkets arrived, the corner shop went to the wall. Now it is their turn. Northern Ireland has been starved of good shops," says an accountant from Bangor.

Northern Ireland's annual grocery market is worth just 1.5bn and is growing at about 1 per cent. Margins are attractive. Sainsbury believes it can undercut the competition, and says it will be selling its products at prices 13 per cent cheaper on average than those in existing supermarkets.

The province has barely been touched by the retailing revolution that has hit the rest of the UK over the past decade. The opportunities for penetrating the market are good with multiples currently accounting for about 67 per cent of the trade, compared with 74 per cent in mainland Britain.

On product range, quality and price, local retailers are no match for the big sophisticated mainland players. Bar-code scanning and other computer aided logistical improvements to distribution have still to make big inroads in the province.

Sainsbury says it will initially service its operations from a distribution centre in Scotland, but a local warehousing network seems an inevitable development.

Given cheaper print runs, the company should have little difficulty re-arranging its packaging to suit the market. The province, having as it does its own television channels, should also provide a coherent unit for advertisers.

More critically, the penetration of own-label products, which groups such as Sainsbury feel is their strength, has been much slower than in the rest of the UK.

> The opportunities for penetrating the market are good

Northern Ireland is still a brand-dominated market, according to Len O'Hagan, of Fitzwilton, the investment vehicle of Irish-born businessman Tony O'Reilly that owns the Wellworths chain of stores.

Wellworths has been at the forefront of the campaign to oppose the project. Mr O'Hagan has found an unlikely ally in Ian Paisley, the hardline leader of the Democratic Unionists, who sponsored an early day motion in the House of Commons where he lambasted the attitude of the "Johnny come lately" retailers.

Together with the Northern Ireland shopping centre association, Wellworths has put out a video in order to highlight the dangers such projects present to the commercial life of small towns, entitled "Out of town, out of business".

Sainsbury has been a little taken aback at the critical reaction from many of the local chambers of commerce, which have successfully forced a number of full inquiries into the planning proposals.

The central question, posed by Sainsbury's critics, is whether the current size of the market can justify such a large investment.

Mr O'Hagan calculates that Sainsbury's plans are the equivalent of more than 380 new stores in the UK, where the total new store investment by the four main multiples is running at about 80 new stores.

Existing retailers are being forced to react. Wellworths is investing some £50m in developing its sites. There was some speculation that Tesco was bidding to steal a march on its mainland rival by buying out Stewarts and Crazy Prices, the Northern Ireland operations of Associated British Foods (ABF).

There are also concerns about the damage that would be wreaked on local employment and on the town centre trade.

"In contrast to Britain, Northern Ireland has retained its 'high street' character," says Mark Lusby, economic development officer at the Derry City council.

"It is most important t[illegible] this aspect of our townsca[illegible] is not lost," he says.

Over the longer term a new UK multiple is likely to [illegible] looking at the whole island [illegible] a market, in line with Eu[illegible]pean trends where cross-bor[illegible] acquisitions have been incre[illegible]ing.

"I don't see how Sainsbu[illegible] can avoid it," says Mary B[illegible]phy, editor of Checkout mag[illegible]zine, the main trade journal, Dublin. "We are looking at British Isles market not just island of Ireland market."

Clear attractions: the sector has remained relatively immune to the depredations of the "troubles"

Industrial output (% change 3rd quarter 1991 - 4th quarter 1994)	Northern Ireland	Wales	Scotland	England	Republic of Ireland
Main export industries					
Chemicals	16.2	-1.2	10.9	11.0	49.6
Machinery	43.1	0.0	-27.6	1.6	-4.3
Metal goods	48.1	15.8	-30.9	-5.3	3.0
GB and export markets					
Transport equipment	-18.3	12.5	-8.4	6.9	17.2
Electrical engineering	18.7	44.6	76.9	13.1	49.5
Mainly GB markets					
Textiles, clothing	31.5	0.0	-1.1	0.9	-15.7
Mixed markets					
Food, drink and tobacco	2.3	23.4	-2.0	5.4	18.0
Mainly NI markets					
Paper, printing	10.6	14.6	0.1	7.6	16.2
Rubber, plastics	27.4	26.4			24.5
Non-MH, mineral products	19.8	17.8	-1.1	9.7	7.1
Wood products	38.5	6.5			12.3
Total	13.5	14.6	9.0	11.9	32.2

Source: Economic Research Centre, Indices of industrial production for Northern Ireland, Scotland, Wales and the UK. Figures for England are calculated from the UK index less a weighted average of the indices for Northern Ireland, Wales and Scotland.

■ **Industry:** by Tim Dickson

Sales performance overseas is crucial

Exports are what count as far as the province's economic strength is concerned

The strength of the Northern Ireland economy – not least its ability to reduce a substantial trade deficit – depends largely on the export performance of local industry.

Figures most recently available to government – a statistical report produced for the Industrial Development Board and the Department of Economic Development by the Northern Ireland Economic Research Centre (NIERC) – are far from discouraging.

Total sales of Northern Ireland manufacturers in 1993/94 were estimated at £7.3bn, an increase of 4 per cent over the previous year and 15 per cent up on 1991/92. Of the 1993/94 total, £4.8bn, or 65 per cent of sales, were external to Northern Ireland (that is, to outside destinations, including the rest of the UK).

Over the two-year period 1991/92 to 1993/94, exports grew by 24 per cent, out-performing the 18 per cent growth in overall UK manufacturing exports.

This analysis is confined to the manufacturing sector and accounting periods which ended more than 18 months ago. When more recent figures come to be compiled early next year, however, the IDB's Celia Gourley expects the trend to be sustained.

Northern Ireland's buoyant economic performance before the terrorist ceasefires is confirmed by Ledu, the economic agency which promotes small companies.

"For the year to March 1995," says Chris Buckland, chief executive, "we had one of our best years ever for jobs and exports. Since the early 1980s, the small business population has been starting to out-perform equivalent businesses in other regions."

Mr Buckland attributes this to the fact that Northern Ireland did not experience the ups and downs of the 1980s, it has been protected to some extent by the size of the public sector (government departments are steady customers), and has had an industrial economy which has experienced severe erosion over a long period of time.

"What is left is resilient, gritty and determined," Mr Buckland says. Optimism is strong and investment intentions, according to the CBI, are positive – but new investment decisions take time. "Nobody among our clients has rushed to commit large sums of new money," says Mr Buckland, "but there has been strong start-up activity in the past few months and we have had a lot of inquiries about self-employment and interest in training schemes."

The biggest impact on local business of the "peace" has probably been felt in border areas around Newry and Londonderry, notably in craft industries, tourism and suppliers to local retailers.

NIERC figures show that food, drink and tobacco represent by far the biggest industrial sector in Northern Ireland, accounting for one-third of total sales and one-quarter of export sales. Local meat-processing plants, including Granville Meats, of Dungannon, have just won an exclusive order to supply the fresh meat requirements of the Dutch supermarket chain, Albert Heijn.

Transport equipment is next in importance, with slightly more than 10 per cent of manufacturing sales, followed by a range of sectors with high single-figure shares, including textiles, electrical engineering, chemicals and clothing.

All agree that more can be done to speed up diversification away from the traditional British markets – but the skills and enterprise of Northern Irish firms have often been concealed by natural reticence and a tendency to keep heads down during the "troubles".

Given the region's size, local firms have plenty to celebrate. Recent weeks have seen:

- a £5m order for Rotary International, the Newtownabbey engineering group, to provide the temporary lighting and power systems for Hong Kong's new Chek Lap Kok airport (part of work for the whole project worth almost £100m won so far by Rotary, Lagan Holdings at Newtownabbey, and CEM, in Belfast);
- a £10.7m investment in two of its screening divisions by the Dungannon-based engineering group, Powerscreen International; and
- a £3m Italian contract for 20 Irish theme pubs by the Ballynahinch company, Blue Tree Refurbishment.

The neighbouring Irish Republic is by far the biggest market outside the UK, with NI sales up 35 per cent to £532m between 1991/92 and 1993/94. The trade imbalance with the south is estimated at £200-£300m, even though population and GDP fundamentals might suggest the balance ought to be the other way.

North America (exports up by 32 per cent over the period to £148m), south-east Asia (up 143 per cent to £134m) and the Middle East (up 48 per cent to £74m) are the markets on which the IDB has been concentrating its attention with trade missions. Normally, about 12 are organised each year but in view of Northern Ireland's new international prominence since the paramilitary ceasefires, 18 have been arranged for 1995/96.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

GT Asset Management - Contd.

IRELAND (REGULATED)(**)

Chemical Ireland Fund Administrators Ltd

Citizens Investment Trust Mngt Company

DIT Dresdner Global Strategies Fund

ISLE OF MAN (SIB RECOGNISED)

Bank of Ireland Asset Mngmt - Contd.

Mercury Fund Managers IoM Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Foreign & Colonial Mngmt (Jersey) Ltd

John Govett Management (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

DB Investment Management SA

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

■ **Tourism:** by Tim Dickson

Spirit of co-operation grows

Joint marketing efforts with the south are being increasingly used to attract visitors

The Belfast car hire receptionist seemed unusually helpful, readily looking up telephone numbers and organising a lift across town. Some would put this down to a brand of hospitality found everywhere on the island of Ireland. Others might attribute her helpfulness to the especially warm welcome reserved for travellers to Northern Ireland at the moment.

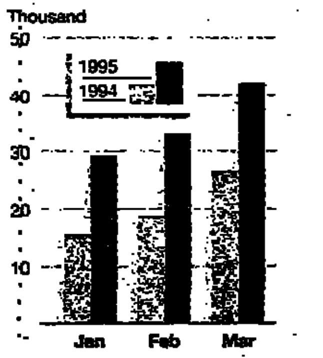
Locals have long been grateful to visitors undaunted by the damaging television images of 25 years of "troubles". Now, however, there is a sense that employees directly and indirectly engaged in the north's tourist industry have found a new purpose to their work, namely helping to cement the 15-month old peace process.

This year's influx of foreign visitors has encouraged those in Northern Ireland who believe the tourist industry can deliver rapid economic and employment growth.

Between January and June more than 150,000 holidaymakers descended on the province, a 56 per cent increase on the equivalent period in 1994.

About 1,700 jobs – most of them full-time – are estimated to have been created. And helped by June's record hotel occupancy levels, an earlier forecast that tourism revenues in 1995 would reach £220m – up from £180m last year – looks like being exceeded.

Tourist Board enquiries



Source: NI Tourist Board

Given that tourism represents just 2 per cent of Northern Ireland's gross domestic product – against 6 per cent in Scotland and 7 per cent in the Republic of Ireland – 1997/98 targets of £350m in revenues and 8,000 new jobs do not look ambitious.

More is at stake, though, than the permanence of peace. Over the next few years extra accommodation will be needed to house the anticipated increase in holidaymakers and avoid a repeat of the shortages experienced this summer.

The pressure was particularly felt in Belfast, where there were only 29 registered bed and breakfast establishments at the start of the season, and in more outlying parts where the demand for self-catering outstripped supply. A Northern Ireland Tourist Board Helpline had to be set up with the pledge that stray visitors would be found a bed.

Juan O'Callaghan, principal of Conneticut-based consultants JOCR Research, said in a recent survey on tourism in both parts of Ireland: "Traffic from the United States to Northern Ireland could escalate from 54,000 in 1994 to 135,000 by 2000 if Northern Ireland goes after that latent market potential aggressively, and if infrastructure is *upgraded and new accommodation* facilities are in place on an early timetable."

The signs are that the bigger hotel chains are starting to invest. About a quarter of Northern Ireland's hotel rooms have been built in the past five to six years, including the Radisson Roe Park in Limavady, complete with golf course and a spectacular north coast location, the new hotel at Aldergrove airport and the Marine Court at Bangor.

Hilton Hotels is committed to building a 187-room five-star hotel on the waterfront in Belfast, Holiday Inns has plans for Belfast and Londonderry, and Choice Hotels has started work on a site in Carrickfergus. All these will either be ready for next year or 1997.

"Unbranded" hotels that have been successful include the Galgorm Manor, near Ballymena, the Glenavon in Cookstown, the Manor House at Killadaes, near Enniskillen and the Burrendale at Newcastle, County Down.

On the self-catering side high hopes are being invested in a plan to turn redundant farm buildings into accommodation, notably in areas such the Glen of Antrim and South Down. Under the scheme the NITB takes a 21-year lease, helps market the property and subsidises the farmer's participation on a training course.

Tourism's success depends on the quality of the local attractions and the professionalism of the marketing effort.

According to Lord Rathcavan, chairman of the NITB, between £200m and £250m has been invested in tourism infrastructure in Northern Ireland over the past seven or eight years, some £100m of it contributed by the European Union, the International Fund for Ireland and from the board's own resources. A second European programme – worth about £16m and targeted particularly at local council initiatives – runs from 1994 to 1999.

The Tower Museum in Derry (a heritage centre which has won several awards), the Exploris Aquariaum in Portaferry, the Irish Linen Centre in Lisburn, the Navan Centre and Trian in Armagh, the Omagh history park and the Ulster American Folk Park have all been among the recipients of public money.

Co-operation with the south increasingly looks like a viable way to exploit the north's tourist potential.

After all, in the international tourism market both Northern Ireland and the Republic of Ireland have a similar appeal: population densities closer to Scandinavian averages than those of the European heartlands, ancient civilisations, scenic beauty and environmental friendliness, and the same physical proximity to Britain and continental Europe.

An important breakthrough was made this autumn when the first ever all Ireland television and newspaper campaign – Best of Ireland from Top to Bottom – ran in two English television regions (including London) as well as in Scotland and the national press.

Previously NITB's promotional effort had been mainly concentrated on Scotland and the north of England.

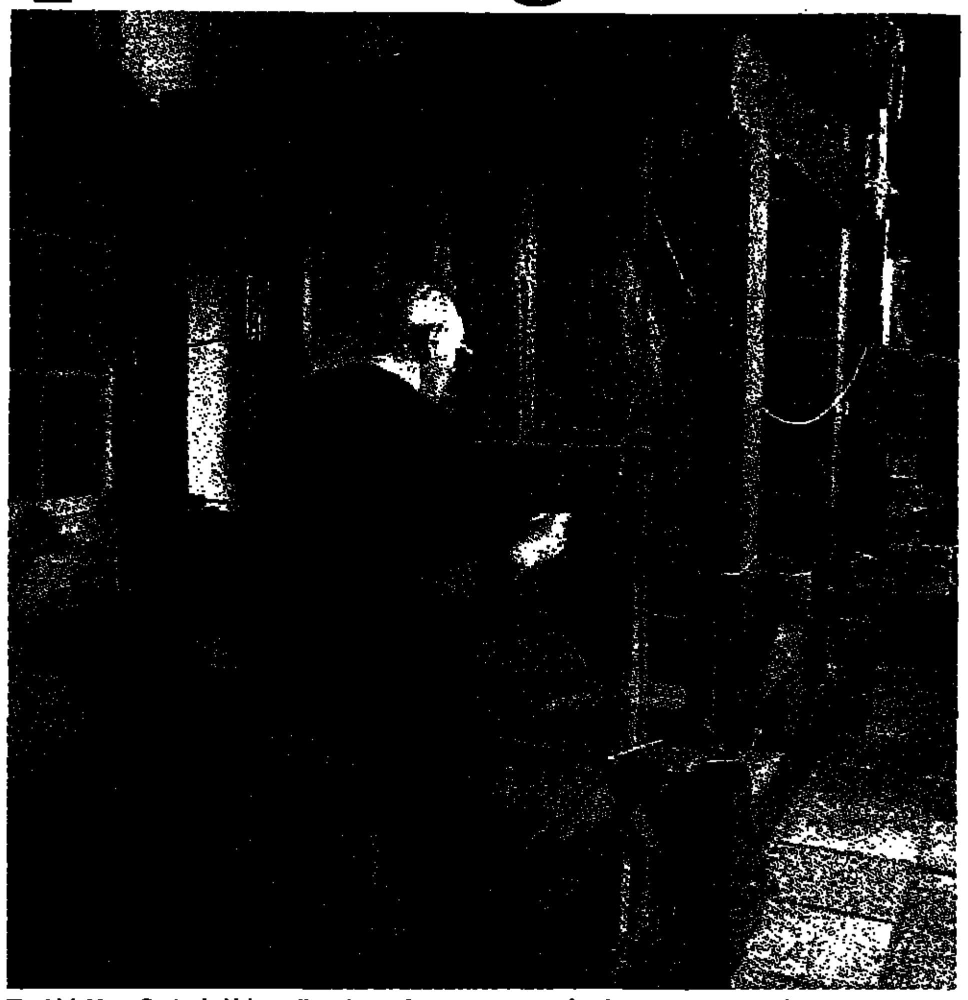
Other cross-border marketing initiatives include a new accommodation classification scheme (tied in the north to a Tourism Development Scheme) and the EU-funded Gulliver advance booking system.

The co-operative spirit seems strong on both sides, and is no better illustrated than by the success of the first ever joint evening organised by NITB and Bord Failte, its southern cоunterpart, at this month's American Society of Travel Agents Conference.

Both sides are only too aware of the damage to confidence caused by the terrorist campaign.

Northern Ireland's share of visitors to the island dropped from one in three to one in five in the late 1960s in response to the initial shock of violence – and proportionately it has never recovered.

Tourism in the south languished in the same shadow for years and only started expanding at a healthy rate in the second half of the 1980s. According to the Economist, earnings from tourism in the republic grew faster than in any of the 15 other destinations surveyed between 1980 and 1992. Northern Ireland – with its extended season, rich heritage, golf and other attractions – now has a chance to catch up.


The Irish Linen Centre in Lisburn: the advent of peace means tourism has a chance to catch up NITB

■ **The cybersector:** by Stephen McGookin

The tentacles spread

A growing network of sites is leading to cross-community and business co-operation

The growing number of Internet users in Northern Ireland are being served by a burgeoning cybersector, as businesses have moved into online presences and personal user accounts have expanded beyond the academic base.

The best staring point for a virtual tour of the province is the Northern Ireland Information Centre (*www.gpl.net/niic*) set up by the Belfast-based Genesis Project, which was established in March last year and is the province's leading Internet access provider, with points of presence in Belfast and Londonderry. Dermot Bradley of Genesis says the Internet culture has started to reach all sections of business, although it is still based in the technology sector.

From the Information Centre homepage, a link takes readers into the main Northern Ireland government web server (*www.nics.gov.uk*), as well as offering extensive tourist promotional details from the NI Tourist Board (*http://is-eng1.infj.ulst.ac.uk*).

An abundance of official information is available, of varying quality. The Northern Ireland Office provides weekly online information news sheets. The Industrial Development Board for Northern Ireland (*www.nics.gov.uk/cent-gov/ded/idb/idbhome*) is the organisation responsible for attracting and supporting investment into the province.

As well as a "Best of Northern Ireland" feature which offers sections outlining the province's infrastructure, it provides details of financial incentives available to potential investors, tax details and examples of average hourly earnings for engineering manual workers, translated into dollars, D-Marks and yen.

The IDB site also has details of the province's relevant economic indicators and an analysis of the recent upturn in foreign investment. In 1993-94, for example, the province won more than five times its per capita share of all greenfield investment coming into the UK – some 15 per cent in all, according to the IDB.

Taken in combination with the Department of Economic Development's Directory of Services and Policy Review features (*www.nics.gov.uk/cent-gov/ded*), this is one of the most extensive background regional marketing services as yet available on the Internet.

As well as information for foreign investors – and possibly homesick expatriates intrigued by Baroness Denton's returners business incentive scheme – there is data for resident business people.

Also available through the same central government server is access to the Local Enterprise Development Unit, with details of the European Business Information Centre and Business Innovation Link aimed at entrepreneurs and SMEs, while the Northern Ireland Online Business Directory (*www.gpl.net/niic/biz-directory*) is a brief but growing list *of mostly high-tech business* contacts.

For small businesses keen to develop an online presence, Unite (*www.unite.net/niweb*) provides a design and Internet consultancy service.

As might be expected, there are impressive political resources, with the Genesis server providing links to pages for the Ulster Unionists, Sinn Féin and the Alliance party, as well as the Forum for Peace and Reconciliation and the joint British-Irish Framework Document.

The Irish News, a Belfast-based morning publication and the voice of constitutional nationalism can also be consulted (*www.irishnews.com*). Its Internet presence is top-notch: rapidly updated, with excellent news, sport and business stories.

A recent addition to the province's virtual world – and again accessible from the Information Centre server – is the Public Records Office of Northern Ireland, which holds documents for the period from about 1600. They cover three main categories: government department records dating back to the early 19th century; local authority and court records; and records deposited by private individuals, churches and businesses.

Selected publications can be ordered online, and, with the heightened interest in ancestry in this 150th anniversary year of the Irish famine and mass emigration, there are details of commercial genealogical research organisations, enabling browsers living abroad who might be searching for their family trees to take things a stage further before they make a physical trip to the "old country".

For details of coming events and recreational activities, excellent profiles are available for Belfast and other cities in the province through the InterKnowledge Travel Network (*www.interknowledge.com/northern-ireland*), while the Armagh Planetarium (*http://star.arm.ac.uk/planet/planet.html*) has a global reputation for astronomical research and has an impressive range of links to other institutes around the world.

Academic information is *available from Queens* (*www.qub.ac.uk*), the University of Ulster (*www.ulst.ac.uk*), home of the Centre for the Study of Conflict's register of 600 projects, as well as Londonderry's Magee College (*www.infm.ulst.ac.uk*), which hosts the INCORE server on Conflict Resolution and Ethnicity.

Schools, too, are beginning to set up on the Web, with Our Lady & St Patrick's College in Belfast and Royal School, Armagh leading the way.

The potential for cross-community co-operation afforded by the new technology is immense; illustrated by the possibilities of CINNI, the province's community communications network linking 35 community groups covering subjects such as drug abuse, environmental action and employment projects.

Among the community ventures Genesis has assisted, for example, is the chain of four "Bytes" Internet cafes in Belfast, sponsored by the Department of Education through its pump-priming Making Belfast Work initiative, and aimed at helping 16-25-year-olds who might otherwise be deprived of access to technology of this sort.

■ **Development funds:** by John Murray Brown

The tug of war continues

The issue of how to allocate cash from the EU and other bodies remains contentious

If money alone were the solution for the Northern Ireland question, it would have been settled long ago.

After all, the province has never been short of assistance. The UK government alone provides £3.5bn a year in budget subventions, which costs the UK taxpayer the equivalent of 2p in the pound on income tax. As a less developed region of the European Union, Northern Ireland receives structural and other funding from Brussels, and the so called Interreg programme, which is targeted at cross-border projects with the Irish Republic.

However, in the wake of the ceasefires, a new burst of enthusiasm has come from donors anxious to do their bit to underpin the peace process. The EU, the US and private funds such as the Ireland Fund, chaired by Tony O'Reilly, the Irish born businessman, are all dipping into their pockets.

In the same vein, the European Investment Bank is providing subsidised loans to small businesses in Northern Ireland and the six border counties. Even the government, in response to the new climate, has dropped its vetting of local community groups, some of which it was alleged were acting as fronts for paramilitary organisations.

The money is to be used to help small businesses, to support community groups, enhance the tourism industry and improve the environment.

The EU's Community Initiative for Peace and Reconciliation, unveiled at the Essen summit by the then Commission president Jacques Delors, will for the first time target those most directly affected by the "troubles" under a "social inclusion" programme.

Part of the £340m programme is being disbursed in the form of grants to local partnerships between business, local community groups and local councils. Monika Wulf-Mathies, the regional aid commissioner, says the money will be used, for example, to help rehabilitate former paramilitary prisoners.

At a conference earlier this year in Belfast, organised by the European parliament, the Commission president Jacques Santer heard submissions from a range of community groups – from local arts bodies, to agricultural co-operatives to children's play-groups and organisations for the blind and disabled.

However, in a society divided by religion and national allegiance, the issue of aid is always likely to be contentious and the EU and the two governments are making slow progress deciding on the projects to be supported. Officials now say the first funding will probably not be disbursed before the second quarter of 1996.

"There is always going to be a tug of war over who controls the money," says Mr Eamon Hanna, of the west Belfast Phoenix development trust.

Such problems are all too familiar to the International Fund for Ireland – set up by the UK and Irish governments in the wake of the Hillsborough agreement in 1985. The US Congress is expected to approve a further $19.6m for 1996. With money from the EU and smaller donations from Canada, Australia and New Zealand, the IFI has disbursed about £270m to more than 3,000 projects.

The IFI's portfolio ranges from the refurbishing of shop fronts in bomb-hit town centres to funding for the proposed Springvale university campus on the peace line in west Belfast – a project which is currently on hold.

The IFI money is often used as start-up capital with which to support projects which would otherwise not have been considered. A good example is the Shannon-Erne waterways project which cost a total of £30m – the largest portion coming from the Irish government – which IFI supported at feasibility stage.

Without this it is doubtful whether the two governments would ever have undertaken the scheme. The IFI also has an affiliated company – Enterprise Equity – which provides venture capital to business start-ups.

The IFI has a narrow mandate to promote dialogue and reconciliation. It has been criticised by unionists for favouring projects in nationalist areas – a charge contradicted by accountants KPMG in an independent report in May this year.

The IFI is adamant that it has been even handed. Officials point out that it was ready to fund the renovation of a heritage centre for the loyalist Apprentice Boys in Derry, until the hardline unionist MP the Rev Ian Paisley blocked the deal. *It drew some fire from* republicans for aiding a memorial centre to the Battle of the Somme at Newtownards, where many Ulstermen died.

The IFI has also been criticised for allocating funds to big institutions to refurbish their branch offices – often in towns which have bombed by the IRA. And in a recent controversy, the fund attracted some attention for plans to support a local bookmaker.

Tom Russell, the Irish civil servant who manages the operation in Dublin says that, given his small staff, it is not feasible to conduct a means test. If a proposal is seen to increase commercial confidence, then it would be likely to be looked at. "We must be seen to be project driven," he says.

EU structural funds

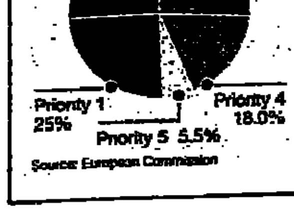
A total of Ecu1.233bn (about £1bn) has been set aside by the European Union from its structural funds for 1994-1999 to speed up economic development in the province. Priority areas identified are:

- One: promotion of economic development and competitiveness. Includes aid to industry, local economic development, R&D and technology transfer.
- Two: investment in communities and people. Measures aimed at improving the physical and social environment, tackling community divisions, and offering training for school leavers.
- Three: reducing the effects of peripherality. Development of transport infrastructure, through rail and road trans-European networks, port and airport developments, and improvements in energy supply, *including gas and electricity* interconnection with Scotland.
- Four: development of agriculture, fisheries and the rural economy. Improvement of the rural environment and regeneration of the rural economy, with attention to the agri-food industry, and fishing modernisation and marketing schemes.
- Five: protection and enhancement of the built environment. Improvements to the water supply and waste water treatment, and environmental protection measures.

Further information: European Commission, Directorate General for Regional Policies, Rue de la Loi 200, B-1049 Brussels.

Structural Fund resources

By priority area



Source: European Commission

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie retreats after reaching intraday record

By Steve Thompson,
UK Stock Market Editor

An overnight rethink about the financial and political implications of the Budget, plus mortgage rate cuts by leading lenders and a sprinkling of bid rumours, drove UK equities to record highs yesterday.

The leading issues failed to hold their best levels, however, reacting to yet another bout of downside pressure affecting sterling, which equalled its record low against a basket of international currencies.

Another important factor behind London's upward move was the highly impressive rally on Wall Street on Tuesday evening, when the Dow Jones Industrial Average saw an early 40 points-plus slide transformed into a closing seven-point gain.

The Dow's overnight recovery was said by most dealers to have been the main influence in the marketplace at the outset of trading, although it was also suggested that the chancellor's proposals had been given an element of grudging respect for not caving in to calls for a "giveaway" Budget.

Talk around the City's trading desks suggested that the Budget had done nothing to dissolve expectations of a UK interest rate cut in the near future. There remained keen hopes in London of a reduction in German interest rates, with brokers saying the odds favoured a half-percentage point cut today, following the meeting of the Bundesbank council in Frankfurt.

Both the FT-SE 100 and the FT-SE-A All-Share indices ended at all-time closing highs of 3,655.5 and 1,784.61 respectively, while the FT-SE Mid 250 index settled 9.3 ahead at 3,951.0. Dealers pointed out that the second liners had performed well during the session, attracting solid buying interest throughout, and avoided much of the churning seen in many of the FT-SE 100 stocks.

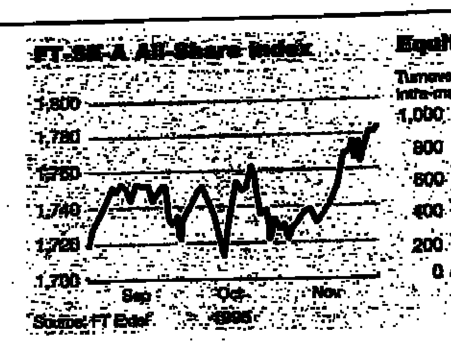
Much of the morning saw market-makers, who went into the Budget running slightly short trading books, chasing stock, amid rumours that a mortgage rate cut from the Halifax Building Society was imminent and that a rate reduction in Germany was on the cards.

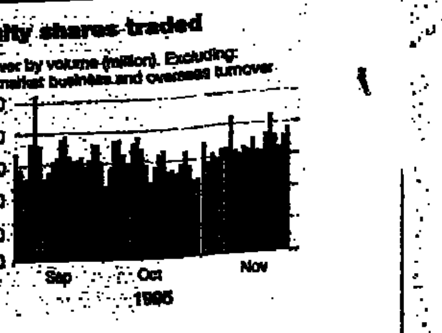
The Footsie opened some 12 points higher and made rapid progress in early trading, eventually reaching an all-time intraday peak of 3,671.0 in mid-morning.

A relatively uninspiring opening by Wall Street, renewed pressure on sterling, a gradual erosion of some of the earlier gains in gilts, and selling in the futures market, saw share prices slip back to finish only moderately ahead. This was in spite of confirmation that the Halifax Building Society, Abbey National and others had lowered their mortgage rates.

The latest takeover stories were focused on Standard Chartered, where there were hints that Commerzbank, the German bank, had tabled an offer. Specialists insisted, however, that the rise in the stock came in the wake of a number of broker recommendations, and a stock shortage caused by a recent US buyer of a block of 6m shares.

Turnover in equities reached 817.1m shares by 6pm, with non-Footsie stocks accounting for some 60 per cent of the total. Customer business on Budget Day was £2.1bn, the third highest for two weeks.





Indices and ratios

FT-SE 100	3655.5	+6.7	FT Ordinary index	2675.3	-0.8
FT-SE Mid 250	3951.0	+9.3	FT-SE-A Non Fins p/e	16.68	(16.65)
FT-SE-A 350	1810.6	+3.5	FT-SE100 Fut Dec	3655.0	+3.0
FT-SE-A All-Share	1784.61	+3.20	10 yr Gilt yield	7.59	(7.62)
FT-SE-A All-Share yield	3.79	(3.79)	Long gilt/equity yld ratio:	2.08	(2.08)

Best performing sectors

1. Other Servs. & Bus. .... +1.8
2. Oil Exploration & Prod .... +1.5
3. Bldg. & Construction .... +1.1
4. Banks, Retail .... +1.0
5. Diversified Indls. .... +0.9

Worst performing sectors

1. Tobacco .... -1.6
2. Spirits, Wines & Cids. .... -1.5
3. Breweries .... -1.1
4. Household Goods .... -0.9
5. Transport .... -0.7

Bid talk in banks sector

Banking group Standard Chartered was once again a strong market feature, as a mixture of stories combined to drive it to an all-time high.

The shares closed 16 ahead at 596p after breaking through the £6 barrier and touching a peak 604p at one point, making it one of the day's best Footsie performers, with volume amounting to 5.2m by the close. The return of bid speculation was a factor in yesterday's sharp rise and German group Commerzbank is the latest to join the growing list of would-be suitors for the UK bank.

Only last week, CS Holding, the Swiss group, denied market talk that it was lining up a bid for Standard Chartered. However, analysts suggested that any such takeover move would be expensive, with a price tag of around £8bn placed on the banking group.

Market watchers also pointed to a continued shortage of stock following last week's successful presentations by Standard Chartered to both brokers and institutions, ahead of its closed period which starts in December.

One story doing the rounds is that a US investor had recently bought 6m shares. The investor is said to favour the quality of earnings and Standard Chartered's regional franchise in Asia.

There were rumours late in the session that BZW was about to publish a bullish note on the stock, which could see the shares rise to a new record.

Enterprise hints

Oil exploration leader Enterprise Oil raced ahead as vague takeover talk met with something of a stock shortage. There was said to be genuine institutional buying and the stock jumped 13 to 356p in above average turnover of 3.6m shares.

It was the day's best Footsie performance and was seen by some brokers yesterday as just another chapter in a volatile six months for Enterprise. The shares stood at 424p in May.

But the talk was mostly bullish against a background of oil price strength. Brent Blend is holding above £17 a barrel, and two US brokers have recently turned positive on the shares. There were hopes too for good news shortly from Italy, where Enterprise has a number of interesting wells under way.

A general marking down combined with a negative broker stance to reverse the previous day's gains in leading spirits companies.

The sharpest fall was in Guinness, which gave up 10 to 459p, leaving it the day's worst performer among FT-SE 100 constituents. Allied Domecq surrendered 6 to 504p and Grand Metropolitan 5 to 434p.

The slide started early as traders reversed Tuesday's mark-up which followed news that the chancellor was reducing the duty on spirits.

Comments from Kleinwort Benson only served to add to the negative sentiment. Mr Guy Farmer at the securities house said: "The vast majority of the gains from the reduction in duty are likely to be passed on by the companies because of pressure from both consumers and retailers. Thus the effect of the reduction is negligible."

Figures and comments from Seagram, the Canadian spirits group, added to the gloom in UK spirits shares. Seagram yesterday reported a third-quarter loss due to a re-engineering charge and said the global outlook is for slow growth in spirits and wine.

Mobile phones group Vodafone moved ahead strongly, following a positive change of stance from ABN Amro Hoare Govett.

The broker, spurred by news from Greece as the group whisked analysts around its international operations, moved from "hold" to "undervalued" on the shares, which ended 5 higher at 223½p. Turnover was 15m shares and there was heavy traded options volume too.

Vodafone has a 45 per cent stake in Panafon, half of the Greek cellular duopoly. According to ABN, operating margins in the fast growing Greek cellular market are some 10 per cent wider than in the UK.

Building materials group Redland moved smartly up the Footsie rankings, as the market placed bets on an interest rate cut today by the Bundesbank.

Both Redland and rival building supplies group RMC get more than half of their profits from Germany, where trading conditions have grown increasingly tougher in recent months. Redland warned in June that German earnings were slowing.

Hopes for an easier trading climate in Germany sent Redland up by 12 to 387p yesterday. The shares stood at 450p five months ago.

RMC added 5 at 1034p. BPB Industries, which has a 15 per cent exposure to Germany at the operating profits level and puts out annual results today, hardened 2 to 311p.

Sentiment at media group Pearson took a nose-dive in early afternoon trading. The shares, which put on 5 during the morning session to build on recent gains, turned tail as the profit-takers moved in. The stock closed 12 down at 662p.

The mood was depressed by talk that Pearson, which owns the Financial Times, was interested in buying an educational books business from Harper Collins, part of Mr Rupert Murdoch's News Corporation. Educational publishing is seen as a tricky market going through a number of technological changes. Recent US deals have been struck at weak prices.

Other media stocks on the move yesterday included Capital Radio, following a positive note from Panmure Gordon. The broker said advertising-sensitive stocks continued to offer good value, with Capital "capable of converting almost 90 per cent of marginal advertising revenue into profit".

Capital gained 27 at 504p in turnover of 2.3m, the second highest on record, and Chiltern Radio put on 22 at 410p.

In the rest of the banking sector, Abbey National moved ahead 17 to 635p in trade of 6m after it announced a reduction in its variable mortgage rate.

There were buyers of the stock on hopes of a general reduction in UK interest rates and sentiment continues to be boosted by a clutch of brokers' recommendations made earlier this week.

International conglomerate Hanson, a weak market lately with worries about potential profits downgrades depressing sentiment, moved up 4½ to 192½p in 12m traded. The group puts out an annual results statement today.

A broker's recommendation helped Matthew Clark bounce from Tuesday's retreat that followed news of an increase in the tax on strong ciders. The shares jumped 29 to 655p.

Among food producers, Tate & Lyle rose 10 to 454p after it reported better than anticipated figures.

In stores, Marks & Spencer fell 5½ to 447½p after BZW downgraded its recommendation to "hold". "We could no longer see any upside from the level it had reached," said analysts at the investment bank.

However, BZW favours Great Universal Stores and the shares improved 14 to 615p, after it said the market had yet to appreciate the long term attractions of the stock.

MARKET REPORTERS:
Joel Kibazo,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Nov 29	Nov 28	Nov 27	Nov 24	Nov 23	Yr ago	*High	*Low
Ordinary Share	2675.3	2676.1	2673.0	2654.8	2639.2	2365.3	2676.1	2238.3
Ord. div. yield	4.04	4.03	4.03	4.06	4.08	4.42	4.73	4.02
P/E ratio net	15.83	15.84	15.85	15.73	15.65	17.85	21.33	15.35
P/E ratio nil	15.74	15.75	15.75	15.63	15.56	17.42	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.8 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2684.3	2679.8	2684.2	2691.5	2685.5	2684.0	2685.7	2684.2	2672.3	2691.5	2671.4

	Nov 29	Nov 28	Nov 27	Nov 24	Nov 23	Yr ago
SEAQ bargains	30,486	27,952	32,588	33,254	29,993	19,9614
Equity turnover (£m)†	-	2103.7	1674.6	1785.9	1895.8	1107.2
Equity bargains†	-	33,932	37,948	39,307	35,475	24,951
Shares traded (ml)†	-	768.0	717.8	636.5	694.3	536.5

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	808	Total Highs	180	Total contracts	27,933
Total Falls	448	Total Lows	37	Calls	13,732
Same	1,614			Puts	14,201

Nov. 29 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3660.0	3655.0	+3.0	3678.0	3643.0	13880	62108
Mar	3688.0	3679.0	+3.5	3700.0	3670.0	4486	12998
Jun	-	3682.0	+3.0	-	-	0	625

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3960.0	+20.0	-	-	0	3200
Mar	-	4005.0	+20.0	-	-	0	300

■ FT-SE 100 INDEX OPTION (LIFFE) (*3654) £10 per full index point

	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P
Dec	161	5	114½	9½	72	17½	38½	35	17½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	169½	20	141½	30	108	45½	74½	65	51	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	204	31	166	43	131	59	101	79½	76½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	219	46	189½	58½	148	76	116½	93½	88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	259½	85			191	117			137½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 3,361 Puts 5,809

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P
Dec	182	3	135½	6	92	12	53½	23½	26½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	203	16½	161½	24½	122½	35½	88	50½	60½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	219½	21	180½	31	140½	44½	112½	62	85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar			197½	47			129½	76½		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†			238	87½			177	122		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 2,813 Puts 2,037 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	24.5	99	98	Abtrust High Inc C	98		-	-	-	-
-	F.P.	2.13	10	9	†Arion Props	9		-	-	-	-
306	F.P.	47.6	301	285	BZW Eqs Bermuda	293	-1	-	-	-	-
-	F.P.	61.8	103	101	Benfield & Rea	103		-	-	-	-
60	F.P.	3.56	71	65	†David Glass	66		RN2.88	2.4	5.5	9.4
-	F.P.	13.2	448	448	East Surrey NV	448		-	-	-	-
-	F.P.	16.4	146	125	Gardner (L)	146		-	-	-	-
-	F.P.	93.0	95	90	Guinness Flight	93	+1	-	-	-	-
-	F.P.	193.0	195	191	Do Units	193		-	-	-	-
-	F.P.	2.00	13	10	Do Warrants	10		-	-	-	-
125	F.P.	29.2	163	128	Heritage Bath	163	+3	-	-	-	-
-	F.P.	25.1	121	96½	Hoare Govett Sl C	96½		-	-	-	-
-	F.P.	2.00	80	70	London Town	80		-	-	-	-
-	F.P.	32.0	95½	93½	Martin Currie Jp	94		-	-	-	-
-	F.P.	2.04	33	30	Do Warrants	30		-	-	-	-
-	F.P.	30.0	125	125	Premium Undrtg C	125		-	-	-	-
-	F.P.	-	105	105	†Revelation P'dilly	105		-	-	-	-
-	F.P.	137.2	99	95	Schroder Asia Pc	96		-	-	-	-
-	F.P.	79.3	201	173	Tom Cobleigh	199	+10	uN2.7	2.2	1.7	32.3
-	F.P.	173.0	43	36	Trocadero	41	+2	-	-	-	-
-	F.P.	166.7	290	263	Vero Group	278	+1	RWN5.1	1.8	2.3	30.3

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 28	% chg on day	Nov 27	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1915.80	+2.1	1876.95	1909.82	1.88	-	2063.85	1637.91
■ Regional Indices								
Africa (16)	2457.11	+3.5	2383.06	3131.78	4.04	21.48	3191.21	2272.74
Australasia (6)	2323.36	+2.2	2274.40	2494.36	2.15	25.96	2807.57	1788.20
North America (12)	1705.36	+1.4	1682.24	1459.28	0.79	48.87	1831.00	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Nov 29	Day's chge%	Nov 28	Nov 27	Nov 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3655.5	+0.2	3648.8	3649.0	3624.0	3081.4	3.92	2.09	15.26	134.50	1453.69
FT-SE Mid 250	3951.0	+0.2	3941.7	3944.3	3942.8	3497.3	3.49	1.84	19.45	136.24	1544.79
FT-SE Mid 250 ex Inv Trusts	3969.5	+0.2	3960.3	3962.9	3962.6	3492.7	3.62	1.91	18.13	142.90	1552.39
FT-SE-A 350	1810.6	+0.2	1807.1	1807.4	1797.5	1542.9	3.82	2.04	16.01	65.68	1472.17
FT-SE-A 350 Higher Yield	1814.2	+0.2	1811.0	1809.4	1797.2	1544.7	4.81	1.84	14.16	80.82	1223.08
FT-SE-A 350 Lower Yield	1811.5	+0.2	1807.7	1809.9	1802.4	1500.9	2.80	2.41	18.53	49.50	1230.72
FT-SE SmallCap	1947.06	—	1947.21	1948.67	1949.48	1769.74	3.31	1.71	22.12	58.22	1570.97
FT-SE SmallCap ex Inv Trusts	1928.50	—	1929.12	1930.55	1931.67	1737.39	3.54	1.78	19.79	61.19	1584.34
FT-SE-A ALL-SHARE	1784.61	+0.2	1781.41	1781.79	1772.82	1528.12	3.79	2.02	16.33	63.88	1474.72

■ FT-SE Actuaries All-Share

	Nov 29	Day's chge%	Nov 28	Nov 27	Nov 24	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3104.34	+0.5	3088.41	3097.62	3079.38	2708.34	3.77	2.02	16.41	116.67	1306.31
12 Extractive Industries(7)	4269.07	-0.6	4296.69	4300.32	4257.81	3807.67	3.47	2.51	14.37	143.77	1224.04
15 Oil, Integrated(3)	3121.19	+0.7	3100.00	3112.41	3094.51	2695.03	3.94	1.96	16.21	123.19	1346.42
16 Oil Exploration & Prod(13)	1939.40	+1.5	1910.65	1904.22	1896.03	1867.21	2.59	1.49	32.28	49.86	1151.16
20 GEN INDUSTRIALS(277)	1956.81	+0.6	1945.53	1940.43	1936.27	1858.34	4.24	1.89	15.62	75.51	1047.01
21 Building & Construction(38)	1004.38	+1.1	993.79	1001.10	1005.09	1011.79	3.99	2.02	15.50	38.42	825.95
22 Building Matls & Merchs(31)	1787.48	+0.5	1777.99	1767.61	1770.12	1820.50	4.13	2.05	14.80	67.09	893.93
23 Chemicals(23)	2354.73	+0.1	2352.90	2341.27	2312.69	2275.61	4.17	1.67	18.05	91.89	1094.73
24 Diversified Industrials(20)	1777.96	+0.9	1762.27	1750.16	1750.48	1761.07	5.58	1.56	14.33	87.57	968.29
25 Electronic & Elect Equip(36)	2128.32	+0.7	2113.68	2127.17	2121.08	1850.80	3.51	1.99	17.91	61.70	1084.66
26 Engineering(68)	2195.16	+0.8	2177.79	2167.45	2161.88	1826.16	3.43	2.28	16.11	70.73	1311.83
27 Engineering, Vehicles(13)	2543.54	+0.4	2534.30	2532.76	2538.68	2298.29	3.69	1.17	29.08	88.56	1295.97
28 Paper, Pckg & Printing(27)	2498.72	-0.4	2508.08	2519.83	2507.26	2621.05	4.01	2.50	12.48	94.97	1022.84
29 Textiles & Apparel(21)	1468.42	+0.2	1465.17	1467.14	1467.22	1582.86	4.87	1.84	13.97	69.16	879.06
30 CONSUMER GOODS(89)	3544.27	-0.4	3559.15	3561.06	3539.36	2732.28	3.80	1.79	18.38	125.29	1282.51
31 Breweries(17)	2765.10	-1.1	2795.11	2780.27	2768.81	2210.11	3.83	1.96	17.56	68.65	1296.29
32 Spirits, Wines & Ciders(9)	2784.85	-1.5	2825.96	2783.08	2757.63	2715.63	4.30	1.63	17.83	107.13	979.27
33 Food Producers(24)	2500.72	+0.8	2480.17	2485.25	2492.31	2271.22	4.03	1.85	16.77	93.70	1105.79
34 Household Goods(11)	2599.96	-0.9	2623.16	2601.42	2582.98	2312.11	3.66	2.13	15.94	90.95	976.19
36 Health Care(17)	1961.83	—	1961.93	1959.71	1959.66	1572.19	2.66	1.81	25.97	49.33	1177.43
37 Pharmaceuticals(10)	4995.74	-0.1	4999.20	5019.94	4973.35	3084.41	3.30	1.70	22.24	162.31	1668.52
38 Tobacco(1)	4692.87	-1.6	4769.11	4815.70	4807.23	3749.92	5.11	1.94	12.59	229.23	1135.35
40 SERVICES(227)	2207.00	+0.1	2205.73	2206.93	2198.31	1917.86	3.05	2.11	19.44	65.42	1128.74
41 Distributors(30)	2487.98	+0.3	2481.23	2489.62	2502.19	2550.94	4.03	1.77	17.47	94.66	903.01
42 Leisure & Hotels(30)	2587.43	+0.2	2582.95	2579.60	2572.09	2095.53	3.12	1.94	20.65	73.67	1325.36
43 Media(43)	3583.39	+0.6	3563.11	3560.45	3518.99	2893.21	2.04	2.37	25.82	79.08	1261.54
44 Retailers, Food(16)	1930.55	+0.6	1919.33	1909.87	1897.85	1739.18	3.76	2.39	13.88	65.37	1204.47
45 Retailers, General(44)	1877.51	-0.5	1886.41	1893.65	1895.22	1610.99	3.16	2.27	17.45	58.67	1057.86
48 Support Services(37)	1859.44	+0.1	1858.07	1857.43	1847.80	1512.46	2.48	2.52	19.99	41.72	1168.28
49 Transport(20)	2182.36	-0.7	2198.69	2208.01	2208.36	2262.46	4.00	1.30	24.02	86.39	896.21
51 Other Services & Business(7)	1165.25	+1.8	1144.10	1141.73	1150.66	1236.50	4.16	1.53	19.69	43.10	1047.47
60 UTILITIES(35)	2494.59	-0.2	2498.53	2494.73	2451.70	2390.67	4.72	2.04	13.01	110.20	1025.14
62 Electricity(13)	2804.87	+0.3	2796.50	2775.62	2784.89	2515.06	4.14	2.61	10.77	157.90	1268.37
64 Gas Distribution(2)	1653.46	-0.2	1656.54	1634.14	1579.35	2047.75	7.25	1.04	16.58	119.82	829.56
66 Telecommunications(7)	2037.70	-0.3	2044.31	2058.70	1994.59	1972.62	4.14	1.74	17.32	54.96	907.91
68 Water(13)	2121.30	-0.5	2131.84	2118.00	2119.37	1787.54	5.57	2.56	8.70	98.06	1134.61
69 NON-FINANCIALS(651)	1881.49	+0.1	1880.00	1879.59	1867.81	1649.06	3.84	1.95	16.66	68.29	1397.18
70 FINANCIALS(113)	2885.44	+0.6	2867.55	2872.56	2871.50	2176.13	3.86	2.43	13.29	105.96	1205.80
71 Banks, Retail(9)	4090.51	+1.0	4048.07	4050.89	4046.85	2890.37	3.56	2.81	12.51	140.81	1290.15
72 Banks, Merchant(6)	3601.14	+0.1	3598.53	3600.86	3550.17	2831.88	2.56	2.43	19.98	101.53	1127.85
73 Insurance(25)	1436.68	+0.2	1433.86	1442.71	1437.59	1221.03	5.12	2.88	9.10	73.13	1052.80
74 Life Assurance(6)	3458.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(22)	2404.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(43)	1394.89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(133)	2982.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE(897)	1784.61	+0.2	1781.41	1781.79	1772.82	1528.12	3.79	2.02	16.33	63.88	1474.72
FT-SE-A Fledgling	1098.85	—	1096.57	1095.63	1094.82	-	2.83	1.33	33.22	30.85	1130.62
FT-SE-A Fledgling ex Inv Trusts	1098.88	—	1098.74	1097.37	1096.49	-	2.96	1.38	30.27	29.78	1131.78

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3661.6	3658.6	3660.4	3670.9	3668.5	3665.5	3667.1	3665.0	3653.9	3671.0	3651.3
FT-SE Mid 250	3949.9	3944.5	3944.2	3946.5	3953.2	3952.2	3952.8	3953.2	3950.9	3953.8	3943.3
FT-SE-A 350	1812.2	1810.4	1811.8	1816.3	1815.1	1814.7	1815.3	1814.5	1810.0	1816.5	1808.9

Time of FT-SE 100 Day's high: 11.01am Day's low: 2.42pm. FT-SE 100 1995 High: 3655.5 (29/11) Low: 2954.2 (23/1)

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	992.9	992.3	993.9	995.7	997.2	997.6	996.8	996.6	994.8	994.8	980.8	+14.0
Pharmaceuticals	4947.2	4943.4	4945.5	4957.3	4956.8	4959.7	4962.5	4960.0	4934.1	4933.4	4942.8	-9.4
Water	2139.1	2134.2	2130.1	2123.7	2121.8	2122.5	2122.8	2118.9	2117.0	2117.4	2128.2	-10.8
Banks, Retail	4136.7	4132.0	4141.5	4155.1	4161.3	4156.1	4153.4	4148.2	4141.2	4142.7	4099.7	+43.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. DELETION: Chosen A & NV (Fledgling).

TRADING VOLUME

■ Major Stocks Yesterday

Vol. 000s | Closing price | Day's change

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All figures are in 000s.

AUSTRALIA

John Howard, opposition leader: like the prime minister, he will find selling his economic message tough *Reuter*

Voters resist the political circus

Electoral brouhaha cannot disguise the fact that the government has yet to complete its programme of economic reform, writes Nikki Tait

Australians have been treated to some entertaining theatre in the past few months. With a federal election looming, Mr Paul Keating, the country's mercurial prime minister, has switched on his most persuasive charm, and scuttled from radio interview to TV chat show.

Hard on his heels – literally – has been Mr John Howard, leader of the opposition, a coalition of conservative Liberal and National parties. "Would it help if I gave you my itinerary?" Mr Keating is reported to have said as the politicians passed each other in one radio station corridor.

The effect of these sales pitches has been hard to gauge. The Labor government has trailed the opposition by 5 to 10 percentage points in the opinion polls for most of 1995. Since pre-election campaigning began, there have been signs of this gap narrowing. But a survey conducted by McNair in early November suggested that 29 per cent of those who favoured Labor at the last election would vote differently this time round. For the coalition, the same figure was just 12 per cent.

The problem is that, no matter how beguiling the electoral vaudeville, many voters seem to sense that the main plot lies elsewhere. According to the same McNair poll, three-quarters of respondents ranked the economy as their biggest concern.

The government's task on this score is to persuade Australians that policy fatigue has not set in. By the time the election takes place, Labor will have been in power for 13 years. When the party first took office it set a radical economic agenda. It brought down tariff walls; floated the currency; and deregulated the financial markets. If the business community was initially wary of a Labor administration, it soon changed its mind.

Today, though, the significantly more open Australia that resulted from this restructuring has to measure up against the best world standards. It must do so from a relatively small domestic base – 18m consumers – and without the pool of cheap labour found in many of its Asian neighbours. Its one big advantage is its rich natural resource endowment. But unless this can be used to develop downstream activities the country will remain heavily exposed to risks from commodity price cycles and climatic vagaries.

From a short-term perspective, the economic situation is scarcely alarming. Australia's annual growth rate, which rose to around 6 per cent in late 1994 as the country pulled out of recession, has since declined. Nevertheless, at the time of going to press it remained a presentable 3.7 per cent.

Inflation has risen to a headline rate of 5.1 per cent, while the underlying rate of 3.1 per cent is marginally above the Reserve Bank's desired 2-3 per cent band. At 5.3 per cent, so, too, is wages growth. But neither marker is wildly out of line. Only unemployment remains ugly, stuck in the 8.5 to 9 per cent range.

The much bigger worry is a long-term one – namely, that structural deficiencies and a tardiness in tackling some areas for political reasons, are still forcing Australia to live with lower growth, higher interest rates and larger levels of unemployment than it would otherwise experience. If this view is widespread among the electorate – and many commentators believed that worries about interest rates explained a double-digit swing against the government in the Canberra by-election earlier this year – the political climate could change.

The country's most obvious remaining difficulty is imports. As soon as the growth rate quickened, Australia lurched towards a balance of payments crisis. In May this year, the monthly current account deficit topped A$3bn for the first time, and in the 1994-1995 financial year the A$27bn deficit amounted to about six per cent of gross domestic product.

Measures taken to slow the economy – notably, three interest rate rises in late 1994 – have reduced the import side of the equation. More fundamentally, the government has also announced initiatives aimed at lifting the country's savings ratio via a requirement that workers put part of their wage packets into superannuation. This will start to take effect in 1997-1998, and is likely to further boost Australia's pension fund industry.

In addition, the government is attempting to move its own finances into balance in 1995-1996 – although it will only manage this after a substantial A$5.3bn of assets sales, which even Mr Kim Beazley, the finance minister, has admitted will now be tough to achieve. Meanwhile, efforts to lift exports continue. The main political objective here is to secure lower tariff barriers in the neighbouring Asian region, principally through the Asia-Pacific Economic Forum discussions.

Many critics are worried not about the thrust of these policies, but about the urgency with which they have been, and are being, pursued. The savings ratio has fallen from 9.7 per cent in 1984-1985 to 3 per cent in 1994-1995. Yet it will be the year 2000 before the requirement that employees contribute 3 per cent of their wages to retirement savings comes into full effect. The likely slippage in government budgetary arithmetic this year scarcely smacks of the toughest fiscal discipline.

"The message that we've been getting for some time is that Australia needs to lift its game and be more serious about reducing its debt, improving its balance of payments and increasing its savings," remarked Mr John Prescott, head of BHP, Australia's largest company, earlier this year.

Related to this is the second structural problem. A question still hangs over the efficiency of Australia's domestic infrastructure – telecommunications, shipping, and utilities. Many of these sectors were shielded from scrutiny in the days of high tariffs. Today, they are critical to the competitiveness of Australian exporters, notably manufacturers.

They also influence the country's ability to attract inward investment, and sell itself as a stepping stone into the flourishing Asian region.

Again, the reform record is mixed. For some years the Bureau of Industry Economics has compared the performance of Australia's infrastructure industries against international standards. "The key result," it said in its 1995 overview, released this month, "is that while progress has been made in some areas of microeconomic reform, much remains to be done."

"International best practice is a moving target and we have to run fast to keep pace," the report continues. "The fact that we have actually stepped backwards in waterfront container handling and aviation, while the rest of the world has been moving ahead, must be a cause for concern."

It concludes: "Relaxing the pace of reform or letting the process falter would see Australia fall back into the trailing group of international also-rans."

This is not just a federal matter. A number of infrastructure industries – such as electricity, for example – lie in the hands of Australia's highly independent state governments. They have bargained hard for additional federal funds before finally signing up to the national competition policy earlier this year.

Nevertheless, aviation, telecommunications and the waterfront are areas that come under the federal government's direct control, and where the BIE report's authors found scope for improvement.

If the government has an uphill task selling its economic message to the electorate, the opposition is scarcely better placed. It has to explain to Australians what it would do differently without implying that harsh medicine is part of its prescription. One obvious policy instrument – some form of sales tax – was advocated by the coalition at the last election. Voters' aversion to this proposal is thought to have been partly responsible for Labor's victory. The policy has been discarded from the outset this time.

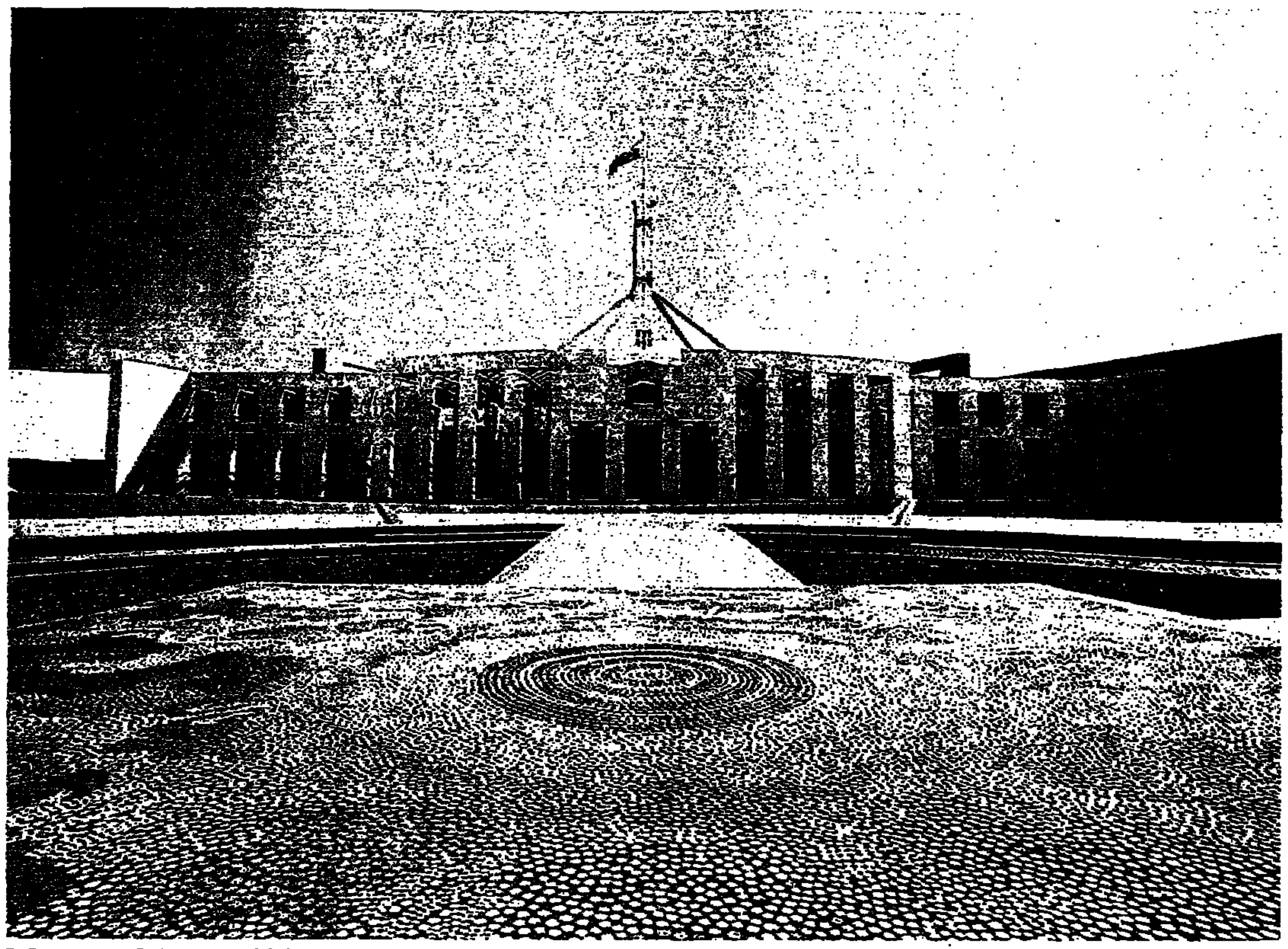
The coalition must also explain how it would negotiate with the powerful union movement and forestall the kind of wage inflation that has dogged Australia in the past. Labor, by contrast, has formed a series of highly successful compacts with the unions throughout its 13 years in office. As a result the unions have agreed to a degree of wage restraint in return for the government's promise of continued commitment to progressive social policy.

There is little doubt that the government can point to a more pioneering social agenda – whether it is the clearly delineated stance on an Australian republic, racial equality, women's rights, or the efforts to make some kind of peace with Australia's indigenous community.

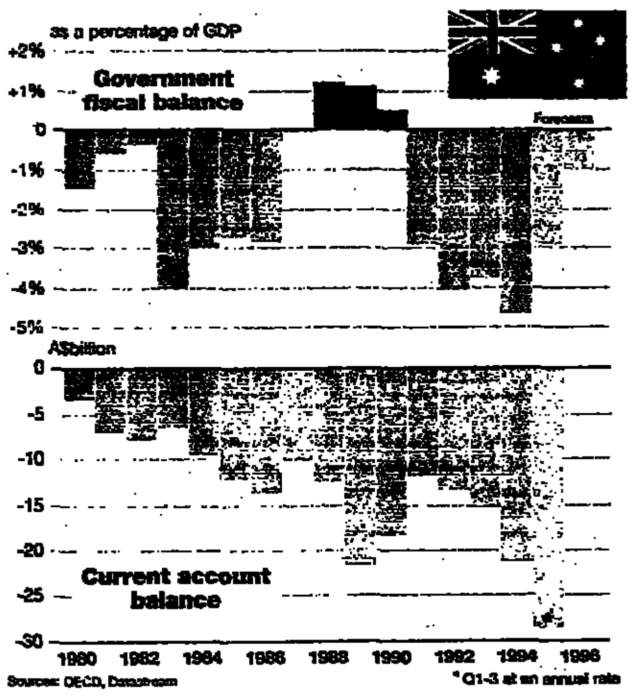
On all these scores, the most the coalition has offered so far is a series of cosy platitudes, with a broad emphasis on non-controversial areas such as family values and raising productivity.

It explains this absence of policy detail as an election strategy, designed to prevent another early hatchet job by its opponents, which will be rectified when the real campaign gets going.

In summary, then, Australia could be represented as standing, not at the proverbial crossroads, but at a T-junction. Both roads are signposted to much the same place – an El Dorado of higher exports, greater efficiency, improved national savings, and increasing engagement with Asia-Pacific. One road, though, seems to bend and have a sprinkling of potholes. The other is blanketed in fog.



Parliament House, Canberra, where, it is feared, the government is starting to suffer from restructuring fatigue *Ross Bray*



Sources: OECD, Datastream * Q1-3 at an annual rate

KEY FACTS

Area	7,682,300 sq km
Population	17.8 million
Head of state	HM Queen Elizabeth II
Currency	Australian Dollar (A$)
Exchange rate	31/12/94 US $1=1.2894 A$
	31/10/95 US $1=1.3145 A$

ECONOMY	1994	1995
Total GDP ($bn) [1]	442.4	458.5
Real GDP growth (%) [1]	5.0	2.6
Components of GDP (%) [1]		
Private Consumption	61.7	62.6
Total Investment	21.6	21.7
Government Consumption	17.7	17.7
Exports	18.9	19.7
Imports	20.0	21.7
Annual % increase in		
Consumer prices (%) [1]	1.9	4.2
Ind. production (%) [1]	8.0	4.1
Employment (%) [2]	3.2	4.3
Earnings (%) [1]	3.0	3.2
Share prices (%) [3]	-10.0	+2.1
3 month T-bill rate (%) [4]	8.2	7.5
10 year bond yield (%) [4]	10.0	8.8
Unemployment rate (%) [5]	9.0	8.2
Trade (A$ bn) [6]		
Current account balance	-21.3	-19.9
Exports	64.1	52.8
Imports	68.5	58.1
Trade balance	-4.4	-5.3
Main trading partners (%) [7]	Exports	Imports
Japan	24.4	17.8
Korea	7.2	2.8
USA	7.0	22.1
New Zealand	6.6	5.0
Singapore	5.3	3.3
UK	2.5	6.0
EC	10.5	22.7

(1) First half of 1995.
(2) Employment growth first quarter 1995
(3) Annual % increase in FT-A index at end Dec 94, Oct 95.
(4) Interest rates & Unemployment Dec 94, Oct. 95
(6) Trade Jan-Sept 1995 only
(7) Percentage share of trade in 1994
Source: IMF, World Bank, Datastream.

4 pm close November 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
19	12⅛	AAR	0.48	2.6	25	93	18⅝	18⅜	18½	
48¼	35	AMP	0.92	2.3	20	18335	40⅛	38½	39⅞	
80¼	53⅞	AMR			17	6891	78⅛	74¼	75⅞	-⅛
47⅞	36⅞	ASA	1.71	4.3	28	753	40	39⅜	39⅞	-½
44¾	30¾	AbbtL	0.84	2.1	19	8220	41⅛	40⅝	40¾	
18⅞	12	Abitibi Pr x	0.40	2.5	8	1763	16⅝	16¼	16¼	-¼
27⅞	21	ABM Ind	0.60	2.2	15	39	u27⅞	27½	27⅞	+½
17½	13⅛	[illegible]			10	260	14⅞	14½	14⅞	
37¼	21⅞	ACE Ltd	0.56	1.5	8	316	38¼	38	38¼	+½
9⅞	8⅛	ACM Gvt In	0.90	9.4	8	273	9¾	9⅝	9⅝	
7¾	6½	ACM GvOpp	0.66	8.8		38	7½	7⅜	7½	+⅛
7½	5¾	ACM Gvt Sp	0.75	10.9		90	7	6⅞	6⅞	
8¾	7⅛	ACM Gvt Se	0.90	10.3		319	u8¾	8⅝	8¾	
9½	7⅝	ACM Man	0.90	10.1		209	8⅞	8¾	8⅞	
29¼	10¼	AcmeCle	0.48	2.1	41	969	23⅛	22⅞	23	
39¾	7⅜	Acme Elect			67	281	8⅞	8⅛	8⅛	-⅜
34½	23¾	Acordia x	0.72	2.6	15	15	27⅞	27½	27⅞	+⅛
16¾	10⅛	Acuson			36	490	11¾	11¼	11⅝	+½
19⅝	16⅝	Adams Expr x	0.48	2.6	0	127	18⅞	18¼	18⅞	
38⅞	2⅞	AdvMic			6	14900	21½	20¾	21⅛	+½
9¾	5	Advest Grp	0.16	1.8	12	28	9	9	9	-⅛
27½	16½	Advo Inc	0.10	0.4	19	567	26⅝	26⅜	26⅜	-¼
42⅝	24.80	Aegon	1.28	3.1	15	273	40⅞	40⅝	40⅞	-½
5⅞	3⅜	Aerflx			8	128	4⅜	4⅛	4⅜	+¼
78¼	46¾	AetnaL	2.76	3.8	34	26172	u78¾	70⅞	72	-3⅞
44¾	31⅞	Aflac x	0.52	1.3	12	1074	41⅝	41¼	41⅜	+⅜
28⅜	18	Ahmnsn	0.88	3.3	7	13288	27⅛	26⅜	26⅝	-⅞
59½	43⅞	AirPrC	1.04	1.9	16	4884	57⅛	55¼	55⅞	-1⅛
29½	18⅜	Airbne Frt x	0.30	1.1	27	1137	28½	27¾	28½	+⅜
30	19⅝	Airgas Inc			25	373	28⅛	27¾	27⅞	+¼
18	13⅞	Airlease	2.00	11.6	12	19	17⅜	17¼	17¼	
35⅝	24	AirTch			113	10710	28½	28	28¼	+⅜
21⅞	13½	Alaska Air	0.28	1.1	19	709	18⅛	17¾	18	+⅛
26½	17⅛	Albany Int x	0.40	1.9	16	218	21¼	20¾	21¼	+⅜
19¼	12¼	Albrtsn	0.22	1.1	24	2065	u19⅞	19	19⅞	+¾
32½	25⅞	AlbCaB	0.32	1.0	16	69	32⅛	31¾	32	+¼
28	23	AlCulvr A	0.32	1.1	21	92	u28	27½	28	+½
[illegible]										

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Continued on next page

■ **Capital markets:** by Peter Montagnon

Sydney enters global fray

The exchanges are fighting for a greater share of international securities trading

Financial centres in the Asia-Pacific region are keeping an eye on Hong Kong these days. All hope to benefit if, as many expect, international business migrates from the colony once it reverts to Chinese rule in 1997.

Malaysia and Singapore have thus begun to push forward with fund management. Australian markets, too, are working hard to compete. The idea *that Sydney* might find favour with international institutions *may seem a little* far-fetched given the large distances involved – it is seven hours flying time to Singapore. But it *does* have certain advantages as Bankers Trust's recent decision to make Sydney its regional headquarters for Asia has shown.

Whether or not Sydney has the capacity to become the *leading financial centre* in the region after 1997 matters less than the *fact* that most other centres are competing strongly *for business*. Australia cannot avoid entering the fray if it is to retain the critical mass needed to survive. Both its two main markets, the Australian Stock Exchange (ASX) and the Sydney Futures Exchange (SFE) are looking at ways of enhancing their regional presence.

Australia has some natural advantages: an educated multilingual workforce, a developed legal and accountancy system, and a relatively cheap property market. *(According to Mr* Allan Moss, chief executive of *Macquarie Bank*, property in Singapore is so expensive that, when his staff are working on deals there, it is worth flying them up every week and keeping them in hotels.)

But there are disadvantages, too. One is the country's relatively tough tax regime. Australia still imposes witholding tax on interest, and, though *stamp duty on securities* turnover was recently halved to 0.3 *per cent, it deprives Australia* of competitive edge.

What is more, for some types of business, distance does matter. *Australia* is in broadly the right time zone, but its limited stock exchange trading hours – 10 in the morning to four in the afternoon – are a drawback. Mr Richard Humphry, ASX managing director, says dissatisfaction with trading hours was one reason why Jardine Matheson moved its quote to Singapore not Sydney when it cancelled its Hong Kong listing.

In other ways, the ASX is very modern. It has technology that will soon allow settlement only three days after trading and *is developing* a system that will let brokers in one foreign country trade the shares of a company based in another. The system will operate out of hours, making the ASX seem more like a competitor to Reuters' Instinet than a domestically minded national exchange.

Over at the SFE, innovation is also proceeding apace. Turnover has fallen by some 13 per *cent this* year. *Bond markets* have stabilised, reducing activity *in financial futures. The* exchange is looking once again at building up its commodity business. Mr Leslie Hosking, its chief executive, believes that trade liberalisation as a result of the Uruguay Round and the unwinding of official support funds will create new *demand for hedging instruments* in commodities.

In September, the SFE established a trading link with Nymex, the New York exchange. "As business globalises there is some sense in creating strategic alliances between compatible exchanges *in different time zones,"* explains Mr Hosking. "Nymex *is a good fit for us because it is* the world's largest commodity exchange for metals and oil and we are one of the world's largest producers."

Mr Hosking says he would also like exchange members to be able to trade futures in indi*vidual Asian stocks. They can* already do this in the 10 top Australian stocks. *Extending* the practice to foreign shares would create sectoral hedging opportunities in other Asian markets, he says, though there are "substantial" regulatory issues to resolve both at home *and abroad.*

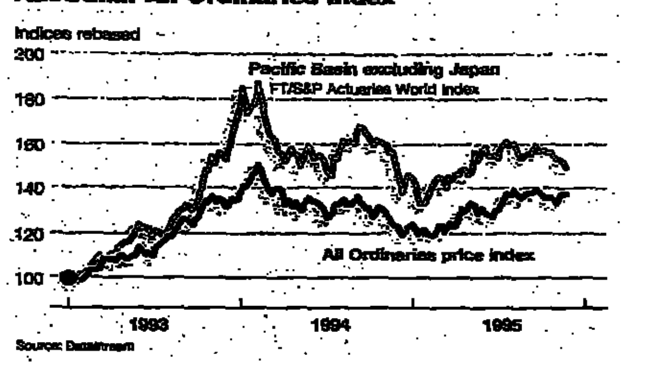
The ASX already trades the *shares of a number of Asian* companies, having made a particular effort to attract Chinese issues. Mr Humphry believes that the market will have to make strategic alliances with other exchanges to develop further along this route. In this *context, the planned* Trans-Tasman index linking the ASX with its new Zealand counterpart could provide a model.

The ASX is the 10th largest exchange in the world in terms of capitalisation. But its weighting in Morgan Stanley's world index is only 1.6 per *cent. Unless the ASX can keep* pace with other fast growing exchanges *like Kuala Lumpur*, it risks being sidelined, says Mr Humphry. Experience suggests that when a market's weighting falls below 1 per cent, international investors no longer see a need to trade in its stocks.

Over the next few years, the Sydney market should receive a domestic boost to *capitalis*ation as cash from Australia's rapidly growing pension funds starts to flow into equities. But Mr Humphry is also determined to tap the offshore market, even if this does make his *life harder in regulatory terms.* In moving offshore, the ASX *risks diluting the regulatory* standards that supposedly make its market attractive to investors, while still struggling to compete with large independent trading systems. However, Mr Humphry *says:* "You don't catch big fish in clear *water.*"

Ultimately, the ASX would *also like to demutualise*, he says. This would end the exchange's conflict of interest: as a regulator it is currently responsible for policing its owners. Changes along these lines would be quite radical, but, according to Mr Humphry, "if we don't do these things, *then I can't see how we can* survive".

Australia: All Ordinaries index



Source: Datastream

Screaming to be heard in the global marketplace: traders at the Sydney Futures Exchange are now linked to New York's Nymex AFP

Toll roads in Sydney: further [illegible] planned

■ **Infrastructure:** by [illegible]on

Suppo[illegible] sell-offs

Despite its risks, [illegible] privatisation is [illegible] more acceptabl[illegible] both investors [illegible] trade unions

Australia has priva[illegible] more of its infrastru[illegible] other countries in t[illegible] *cific region.*

It has been d[illegible] desire to incre[illegible] ciency and com[illegible]ness of the economy and, in the case of some states such as Victoria, to reduce a mountainous debt burden. The privatisations offer investors and banks a rare *opportunity to take stakes* in a range of utilities including roads, electricity, gas pipelines and even prisons.

Australian financial institutions have developed specialised and exportable skills in analysing and allocating risks in private sector infrastructure projects. They have also pioneered a range of new financing *techniques*. These include the use of index-linked debt securities and, in the flotation of Sydney's M2 motorway, a share issue that paid dividends even before the project had been built.

According to some estimates, the volume of infrastructure privatisation *under way or* planned amounts to as much as A$30bn (£14bn). *A list of the* larger projects makes clear the scale of the transformation of Australia's approach to utilities.

It includes the complete reorganisation and sale of the electricity *industry* in Victoria, where five generating companies worth *an* estimated A$5bn are being sold.

Other sectors *are just* as active:

- toll roads worth some A$3bn are projected in New South Wales and Victoria;
- the federal government is leasing Australia's airports for some A$2.5bn.
- gas pipelines worth A$2bn *are planned* in Western Australia and Victoria.
- *and Victoria* is planning an A$2bn water project.

The extent of the programme suggests that the risks associated with privatisation in Australia are perceived as small compared with south-east Asia. In countries such as Thailand and Malaysia there is little awareness of, or expertise in, competition policy. Governments sometimes try to impose new pricing policies even after contracts have been signed.

Yet in Australia the pitfalls can still be considerable. Bankers admit they are going through a learning process. The key is handling risk: unbundling it, assessing it, pri[illegible], it app[illegible] [illegible]tively [illegible] prob[illegible] its [illegible]t be [illegible]ugh [illegible] co[illegible]on in [illegible] as [illegible], especially [illegible] i[illegible]gmented [illegible] states. Mr [illegible]toria's state [illegible] says the UK's electricity privatisation was flawed [illegible] it left too little competition in generating. But Moody's, the US credit rating agency, has suggested that five generating companies in a state with only 4.5m people may leave some investors stranded.

Australia *faces* particular challenges because of its federal structure. *The federal gov*ernment, which sets overall policy, has a complex relationship with the states, which are responsible for managing and regulating local utilities.

> Not everyone believes that the political risks are substantial

The divide increases the dif*ficulty of getting approval for* projects and makes the whole process *more political*, according to Mr John Caldon, executive director at *Macquarie* Bank. "The approval levels start escalating and the possibility of politicisation increases," Mr Caldon says.

This point was brought home last month in a row between Victoria and a consortium mandated to build CityLink, a *$1.7bn motorway project* in Melbourne. The state government threatened to withdraw its mandate after a row over the division of risks. Lenders and investors wanted the state to accept responsibility for risks outside its own control, such as the possibility of a federal government ban on the charging of tolls.

This is only a theoretical possibility in the short run, and in the event the differences were patched up. Nonetheless, there is an important underlying point: toll roads are *controversial* in Australia.

Not everybody agrees that *the political risks are* substantial in practice. AMP, the insurance company, is a heavy investor in privatised infrastructure and believes that political risk is minimal where *the privatisation is enacted* in legislation, like Victoria's electricity programme.

"It's where you do it with a wink and a nod that trouble can arise," says Mr Les Fallick of AMP's private investments unit.

Besides, Australia has traditionally been a capital *importer. "If you impose too* much risk, you'll get capital flight or investor strike. One of the things we expect is political stability and regulatory stability," he says.

Victoria's electricity privatisation has been relatively free of political trouble so far. In *contrast to the UK where the* electricity companies were simply floated on the stock exchange, Victoria chose to reorganise them first and then make trade sales to industrial consortia. State officials argue that by making some of the efficiency improvements them*selves they were able to realise* a higher price on the eventual sale. Significantly, the unions have acquiesced in the disappearance of several thousand jobs.

A greater risk from the investor point of view may be over-capacity. The economics *of power generation could* change dramatically, says Mr Graham Timms of AMP, if Australia develops a national grid, and hydro-electric power from Tasmania comes on stream. "The trick will be to pick the survivors. I don't think AMP would want to *invest in electricity generation.* I'm very keen on distribution. *As the wholesale cost of power* comes down, the retailer will increase his margins," he says.

Australia's rapidly growing pension funds are one source of finance likely to become increasingly important. "Only in the last 18 months have the funds come in, pretty much sponsored by the trade unions," says Ms Irene Lee of Commonwealth Bank.

The funds are likely to have an *important role in keeping* some ownership of Australian infrastructure in domestic hands. Australian concerns held a majority stake in the consortium that bought United Energy for A$1.8bn from the State of Victoria. Utilicorp of the US had a stake of only 49.9 per cent, but foreign buyers have not been confined to majority stakes in subsequent sales.

But the most convincing argument for privatisation is that it can put an end to the huge inefficiencies that prevailed *before*. Victoria's electricity prices would fall by 30 *per cent if operating standards* conformed with world best practice, says Mr Stockdale of Victoria.

"Privatisation has rarely if ever been popular in prospect," *he comments.* "It's only when people see the benefits that it's easy *to sell it politically*. Experience reduces the risk."

AMERICA

Internet lifts high-tech stocks, Dow volatile

Wall Street

US shares were volatile in heavy volume early yesterday as the bond market waxed and waned ahead of an afternoon auction of five-year notes, *writes Lisa Bransten in New York.*

At 1 pm the Dow was up 3.61 at 5,081.71, having climbed as much as 12 points earlier in the session. The Standard & Poor's 500 was 0.25 lower at 606.20, and the American Stock Exchange Composite rose 1.02 to 531.76. Volume on the New York Stock Exchange came to 227m shares.

The Nasdaq composite added 2.12 to the 20.73 points it gained on Tuesday, bringing the index to 1,052.17 in spite of declines in some of the index's biggest companies. Microsoft and Intel, the two largest companies on the Nasdaq, receded $1¾ to $89¼ and $¾ to $63 respectively.

Those losses, however, were countered by gains in some healthcare companies. Oxford Health Plans appreciated $1¾ to $75 and US Healthcare moved ahead $⅝ to $44½.

Applied Materials added $1¾ at $48 after meeting analysts' expectations regarding its fourth quarter earnings, which were reported after the market closed on Tuesday. Internet-related companies also continued to soar. Netscape Communications added $9¼ to the $20 it had risen on Tuesday, bringing the shares, were floated in August for $28, to $140¼. Spyglass rose $11½ at $108½ and Uunet gained 3\frac{13}{16}$ to 80\frac{1}{16}$.

Pixar, the computer animation company, began trading well above its offer price of $22. By 1 pm the shares were *changing hands for* $39¼, having jumped as high as $50 in early trading.

Travelers Group added $3¼ or 6.6 per cent to $58⅝ after announcing that it would buy Aetna Life & Casualty's casualty business for $4bn in cash. Aetna's shares fell $2⅝ to $73½.

American depository receipts of Mexican companies gained in New York trading on news that Mexico might be able to tap international capital markets again in the short term. Telmex added $1⅜ at $33⅛, Grupo Televisa was $1⅛ stronger at $21⅝ and Desc rose $⅝ at $12.

Canada

Toronto opened higher but golds lost their early equanimity, showing a loss of more than 1 per cent in midsession. The TSE 300 Composite index was 5.37 off at 4,668.81 by noon, morning volume easing from 31m to 29.9m shares.

High-tech stocks were lifted by enthusiasm for US Internet-related issues in New York: Gandalf Technologies led most actives at midsession, rising C$⅜ to C$20⅜ in volume of 1.07bn shares.

SOUTH AFRICA

Equities were generally softer after Tuesday's rally, and the overall index shed 23.2 to 5,982.6, *the industrials index* lost 23.8 at 7,614.6 and the golds index fell 26.5 to 1,323.4.

De Beers retreated R1.50 to R105 and Anglos dipped 50 cents to R217.50, while Dries relinquished R2.00 at R40.25.

Mexico City leads region higher

Mexico City was given a lift at midsession by lower interest rates, and positive interest in a forthcoming sovereign debt issue. The IPC index was up 72.11 or 2.8 per cent at 2,687.57.

Mexico said that it was to launch a $1.5bn global note, much larger than had been originally planned because of an improvement in investor confidence in the country.

Interest rates fell for the second consecutive week, with rates on the 28-day Cetes dipping 128 basis points to 53.46 per cent.

SAO PAULO was also strong in early afternoon trade in response to the government's announcement of proposals to liberalise the telecommunications sector. The Bovespa index put on 972.55 or 2.4 per cent at 41,471.

BUENOS AIRES moved higher in early trading, the Merval index advancing 15.47 or 3.4 per cent to 465.52 by midday.

There was particular interest in Telefonica and Telecom, which surged by 6.4 per cent and 5.8 per cent respectively. Dealers said the two stocks were catching up with their ADRs, which had risen strongly in New York on Tuesday.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Nov. 24 1995	% Change over week	% Change on Dec '94	Local currency terms: Nov. 24 1995	% Change over week	% Change on Dec '94
Latin America	(252)	447.14	+3.1	-22.9			
Argentina	(30)	715.31	+5.6	-2.6	438,870.48	+5.6	-2.6
Brazil	(72)	293.15	-1.0	-23.7	1,058.15	-0.7	-13.1
Chile	(36)	705.16	-0.2	-10.1	1,169.10	+1.1	-7.3
Colombia[1]	(16)	555.48	+0.6	-31.6	983.77	+0.4	-17.7
Mexico	(67)	417.07	+8.9	-31.4	1,380.72	+8.2	+6.9
Peru[2]	(19)	185.74	+5.4	+4.2	263.44	+5.4	+10.8
Venezuela[3]	(12)	603.54	-2.4	+21.9	2,355.70	-2.4	+21.9
Asia	(677)	217.89	+2.3	-12.6			
China[4]	(20)	55.70	+4.4	-26.6	58.50	+4.4	-27.7
South Korea[5]	(159)	135.72	-0.3	-0.8	137.16	-0.4	-3.2
Philippines	(25)	229.09	+3.5	-23.1	290.03	+3.4	-17.5
Taiwan, China[6]	(93)	99.80	+0.0	-39.3	102.31	+0.1	-36.9
India[7]	(101)	78.63	-3.1	-36.3	97.33	-2.6	-29.3
Indonesia[8]	(42)	101.35	+3.1	+1.6	125.75	+3.0	+5.6
Malaysia	(114)	250.65	+3.7	-6.8	235.14	+4.2	-7.2
Pakistan[9]	(36)	224.93	-4.6	-38.6	349.47	-4.6	-31.7
Sri Lanka[10]	(19)	104.69	-2.0	-39.1	120.26	-1.8	-35.2
Thailand	(68)	361.23	+2.5	-5.8	360.51	+2.5	-5.7
Euro/Mid East	(209)	138.41	-1.7	+16.8			
Greece	(40)	233.21	-2.1	+3.4	368.89	-1.7	+0.3
Hungary[11]	(5)	111.89	-3.1	-26.3	179.47	-2.5	-13.1
Jordan	(8)	180.76	-1.7	+20.5	269.84	-1.7	+21.4
Poland[12]	(16)	446.20	-2.5	-4.9	697.60	-1.7	-3.1
Portugal	(27)	114.26	-1.6	-5.6	116.39	-1.1	-12.1
South Africa[13]	(64)	247.89	-1.3	+10.3	187.05	-1.1	-1.1
Turkey[14]	(44)	120.59	-5.0	-1.0	3,068.44	-2.7	+38.7
Zimbabwe[15]	(5)	262.90	-3.3	+7.5	359.00	-2.9	+19.1
Composite	(1138)	263.09	+1.1	-14.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are. (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

The forthcoming parliamentary elections in Taiwan on Saturday have been the main focus of attention for investors in recent weeks, writes John Pitt.

With forecasts that the ruling KMT or Nationalist party might lose its majority, the market's performance in the IFC's investable dollar index has been soured, down by almost 40 per cent since the start of the year. However, in recent days a shift in opinion has emerged and some political commentators have even suggested that the KMT could either hold on to power or, at worst, form a new administration with independent MPs. The elections will also serve as a guide to next year's presidential election, which will be the first by universal suffrage.

Fund managers are cautious ahead of the ballot. Mr James Hancocks of Guinness Flight in London says that a great deal depended on Saturday's outcome, but he is reasonably positive at present, with a couple of days left to polling, that the KMT could maintain a slim majority. The stock market looks particularly inexpensive from an historical point of view, trading at a 1995 price/earnings ratio of 15 and a prospective 1996 p/e of 12, he says.

● South Africa's weighting in the IFC investable index is to be reduced from January with the aim of eliminating the impact of "cross-holdings". The IFC says that index weightings will be adjusted to account for companies in the index which have a holding in another index company. Consequently, the weighting of South Africa will be reduced to 18.7 per cent in January from 25.7 per cent at the end of October. Mr Peter Wall at the IFC says that about one-third of the 65 stocks in the IFC's index are held by another index company. Other changes include a cut in the weighting of Colombia to 1 per cent from 1.4 per cent, and a rise in Chile to 7.3 per cent from 1.9 per cent.

EUROPE

Frankfurt reflects Buba rate cut theme

Hopes that the Bundesbank would cut key rates today kept FRANKFURT in high ground, the Dax index improving 6.84 to an Ibis-indicated 2,249.75.

Turnover rose from DM6.8bn to DM7.4bn and the general share price mood was similar, modestly better at best; but one or two financials – the Bavarian banks, and Munich Re – reflected the mood of anticipation.

Mr Reinhard Fischer, a partner in Research Vision, said that most of the German economy was now slowing down, and forecasts for 1996 were retreating which would suggest that inflation, and money supply growth, would stay under control.

Political pressures were rising for a cut in interest rates, be added, and a carefully more stringent fiscal policy was in place. He saw a 55:45 chance of a rate cut today, and a 90 per cent chance of a cut this year.

PARIS demonstrated just how sensitive it had become to rumours when reports that Prime Minister Alain Juppé had resigned sent some investors rushing to sell. The rumour, as so often, proved false but, taken together with suggestions that US investors were taking profits after the market's recent rally, sent the CAC-40 down 13.01 to 1,857.33.

The rail strike, in its sixth day, kept a number of brokers away. Turnover reached only FFr3bn.

There was some movement on the upside, particularly in LVMH on a rumour, later denied by the company, that it was considering selling all or part of its 20 per cent stake in Guinness, of the UK. The shares accelerated to a session high of FFr973, before closing FFr3 up at FFr959.

Canal Plus continued to benefit from the news that it was expanding its services and the shares moved forward FFr9 to close at FFr894.

AMSTERDAM reached a new all-time closing high on hopes for a cut in interest rates today. The AEX index rose 3.37 to 477.22. The financial sector liked the news that rates could be on the decline and ING put on Fl 1.40 at Fl 106.00.

But the situation elsewhere was less rosy, with Wolters Kluwer remaining under pressure following its announcement that it was to make a $1.9bn bid for a US publishing house. The stock dropped Fl 3.80 to Fl 137.10.

Nedlloyd was also on the downside after the transport and shipping group reported disappointing third-quarter results late in the session. The shares finished Fl 1.70 weaker at Fl 34.70.

ZURICH took Tuesday's UBS profits warning to heart and banks fell, although the market closed higher with the SMI index up 16.7 at 3,246.2.

Industrials rose but UBS, down SFr10 at SFr1,237, led the active list; and SBC fell SFr7 to SFr459 as Salomon Brothers said that it had moved from buy to neutral on the stock; indeed, said Mr John Leonard, the Salomon analyst, he had turned neutral on the entire Swiss banking sector.

MILAN remained unimpressed by the newly listed Eni issue, and with investor sentiment at a low point the Mibtel index fell 94 or 1 per cent to 8,862, while the Comit shed 7.62 or 1.3 per cent to 557.40. Turnover was L350bn.

Eni again failed to pick up steam and the stock remained stuck at the offer price of L5,250 in volume of 18.4m shares.

Among telecoms, there was a bout of selling in Telecom Italia, down L109 to L2,180; and Olivetti fell L7 to L1,054, reacting to news that it was to lay off 1,000 employees.

MADRID, disappointed in its interest rate hopes early in the week, put rate-sensitive sectors on the back burner: it took a 1.2 per cent gain in communications, with Telefónica up Pta20 at Pta1,700, and a 1.4 per cent rise in foods to leave the general index 1.03 higher at 311.49.

Dealers said that the bourse was fundamentally solid, but that it was seeing a process of consolidation after last week's gains.

STOCKHOLM featured a 6.8 per cent gain in the car airbag and seat belt maker Autoliv, SKr23.50 ahead at SKr370.50 on news that Ford would introduce side impact airbags, and that Autoliv would be a supplier. The Affärsvärlden General index rose 11.4 to 1,734.9.

HELSINKI saw Nokia A up FM15 or 6.6 per cent at FM244 after gains overnight in New York, where high-tech shares were flying again. The Hex index rose 43.52 or 2.3 per cent to 1,930.9, Kymmene putting on FM4 at FM120 but unable to comment on large after-hours' deals which saw nearly 1m shares traded in the stock.

ISTANBUL fell as low as 36,461, down 5.2 per cent, after losses of 5.4 per cent on Monday and 3.6 per cent on Tuesday, before mounting a strong late afternoon recovery to close with the composite index off 712.67 or 1.9 per cent on the day at 37,757.82.

Brokers said that an upward reaction was awaited after recent losses but that its duration could not be predicted, given stronger investment alternatives in the bond and currency markets ahead of the early general election set for December 24.

VIENNA stayed in positive territory in spite of a fibre patent ruling which left Lenzing down Sch55 or 6.7 per cent at Sch765 in turnover four or five times above the daily average for the textile stock. The ATX index ended 1.66 higher at 990.46, with AMS, the microchip producer, up 3 per cent and Wienerberger, the building materials group, another 2 per cent to the good.

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Nov 29 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1462.13	1462.81	1463.41	1463.94	1464.45	1463.50	1461.96	1461.76
FT-SE Eurotrack 200	1555.68	1558.07	1563.24	1562.50	1562.67	1562.34	1561.68	1559.96

	Nov 28	Nov 27	Nov 24	Nov 23	Nov 22
FT-SE Eurotrack 100	1461.25	1462.30	1450.97	1444.17	1441.45
FT-SE Eurotrack 200	1557.62	1560.91	1554.83	1549.58	1552.90

Base 1000 (26/10/90); High/day: 100 - 1465.41; 200 - 1564.05 Low/day: 100 - 1461.12 200 - 1555.42 † Partial

ASIA PACIFIC

Nikkei falls despite rally in high-tech issues

Tokyo

Buying of high-technology issues failed to offset profit-taking by corporate investors and technical selling, leaving the Nikkei average lower for the first time in three trading days, *writes Emiko Terazono in Tokyo.*

The 225 index shed 154.44 or 0.8 per cent to 18,533.98 after its 2.6 per cent rise over the previous two days, moving between 18,470.11 and 18,738.04 amid relatively quiet trading. Volume totalled 370m shares, against 473m, as an increasing number of investors started to become cautious about overheating in the market.

The Topix index of all first section stocks declined 9.38 to 1,464.31 and the Nikkei 300 slipped 2.07 to 274.88. Losers led gainers by 668 to 378, with 147 issues unchanged.

In London the ISE/Nikkei 50 index put on 1.18 at 1,256.35.

Large-capital steels and shipbuilders, which had been higher on hopes of lower interest rates and an upturn in the *economy, relinquished ground* on profit-taking by domestic corporate investors and financial institutions.

Nippon Steel receded Y5 to Y353, NKK Y7 to Y282 and Mitsui Engineering and Shipbuilding Y2 to Y269.

High-technology stocks were supported by the sector rally on Wall Street. Fujitsu rose Y30 to Y1,190 and NEC Y20 to Y1,290. Consumer electronics companies were higher, too, with Sony up Y50 at Y5,400.

Kajima, the leading general contractor, recovered Y8 to Y978 *after Tuesday's decline* on a rating downgrade by a US securities house. Investors had sold the shares following reports of the company's involvement in alleged bid rigging in 1993 on a municipal garbage processing plant in Nagoya.

Speculative buying continued to buoy shares linked to the possible relocation of the Capital from Tokyo. Towa Real Estate gained Y7 at Y432.

In Osaka, the OSE average slipped 27.65 to 19,877.07 in volume of 151m shares.

Roundup

Monday's strong growth figures for the Philippine economy were reflected again in MANILA, foreign investors purchasing more blue chips and the composite index staging its eighth consecutive gain, up 49.91 at 2,442.16 in turnover of 1.52bn pesos.

KARACHI's rise, in contrast, was a recovery after eight losses in a row, the KSE 100 index rising 17.39 to 1,340.92 after shedding around 10 per cent in the previous eight sessions. However, short-selling by speculators trimmed early gains towards the close, the rally was described as technical, and dealers stayed bearish.

BOMBAY remained nervous about Reliance's threat to delist from the BSE, and the Sensex index fell through 2,900 at one stage before ending 38.06 down at 2,922.16.

Reliance, accounting for 12.5 per cent of the key index, lost Rp8.30 at Rp200.70. The company later confirmed that it would list on the National stock exchange, an electronic bourse, from December 6.

TAIPEI's weighted index fell 1.4 per cent or 65.81 to 4,700.88 in turnover of T$36.34bn as profit-taking, which began on Tuesday, became more widespread ahead of the weekend's parliamentary elections.

The electronics sector suffered the sharpest decline, losing 1.8 per cent as investors began to question the industry's long-term prospects. Tatung slid 60 cents to T$41.40 and GVC T$2.70 to T$39.50.

BANGKOK fell back in thin trade for the third consecutive day after investors sold banks. The SET index lost 7.26 to 1,198.59 in turnover of Bt3.7bn.

Siam Cement, which announced a slight decline in profits for the third quarter, was off Bt48 at Bt1,198.

JAKARTA saw further profit-taking in Telkom outweighed by late buying in other, liquid, large-capitalisation stocks, and the JKSE Composite index moved forward 4.86 to 478.63. Telkom dipped Rp25 to Rp2,375.

SYDNEY majored in golds, the sector index advancing 3.3 per cent after the bullion price rose by US$5.35. Acacia Resources climbed 16 cents or 7.2 per cent to A$2.36 and Newcrest Mining 27 cents or 4.6 per cent to A$6.20.

The broad market was firmer as it digested third-quarter GDP figures, and anticipated today's October current account data. The All Ordinaries index finished 5.0 ahead at 2,160.0.

WELLINGTON suffered due to weakness in the leading issues, while Trust Bank lost 15 per cent to NZ$2.05 after reporting disappointing interim results. The NZSE-40 Capital index shed 11.46 to 2,152.63 in turnover of NZ$51m.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 28 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 27 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (82)	187.02	1.2	179.31	119.74	139.41	166.16	0.0	3.97	184.86	176.64	118.09	137.99	166.09	191.01	157.95	168.13
Austria (27)	170.61	-0.4	163.58	109.23	127.18	127.10	-0.6	1.64	171.35	163.73	110.38	127.90	127.83	199.28	167.48	178.06
Belgium (35)	197.98	0.1	189.82	126.76	147.58	143.93	0.0	3.64	197.88	189.08	127.46	147.70	143.99	201.12	164.78	168.20
Brazil (28)	131.94	-0.4	126.51	84.47	98.35	234.17	-0.4	1.80	132.51	126.62	85.36	98.91	235.20	180.75	88.08	165.34
Canada (101)	148.22	0.3	142.11	94.90	110.48	145.38	0.4	2.55	147.84	141.26	95.23	110.35	144.74	150.83	121.81	126.98
Denmark (33)	280.10	1.2	268.55	179.33	208.79	211.37	1.0	1.53	276.89	264.57	178.37	206.68	209.27	295.99	236.61	248.29
Finland (25)	218.44	1.3	209.44	139.85	162.83	195.41	1.4	1.64	215.64	206.05	138.91	160.96	192.82	278.11	171.13	181.24
France (100)	178.87	-0.7	171.50	114.52	133.33	137.99	-0.9	3.18	180.20	172.19	116.08	134.51	139.21	191.17	157.79	168.07
Germany (59)	160.63	0.3	154.01	102.84	119.73	119.73	0.2	2.01	160.15	153.03	103.17	119.54	119.54	167.74	135.39	138.99
Hong Kong (55)	368.57	1.2	353.38	235.97	274.74	366.05	1.2	4.00	364.03	347.85	234.51	271.74	361.53	389.39	277.40	346.20
Ireland (16)	252.21	-0.4	241.82	161.48	188.01	222.72	0.0	3.43	253.26	242.02	163.16	189.07	222.69	260.87	195.24	199.62
Italy (58)	68.67	-1.4	65.84	43.96	51.19	81.77	-1.5	1.84	69.67	66.57	44.88	52.01	83.05	82.71	65.45	73.97
Japan (483)	147.35	1.3	141.28	94.34	109.84	94.34	0.7	0.81	145.41	138.94	93.67	108.54	93.67	164.82	136.95	152.17
Malaysia (108)	457.14	2.6	438.30	292.68	340.76	447.58	2.5	1.84	445.67	425.85	287.10	332.68	436.44	561.96	398.16	498.53
Mexico (18)	976.51	2.4	936.27	625.20	727.90	8173.00	2.3	1.70	953.57	911.16	614.27	711.79	7986.16	2125.20	847.81	2068.42
Netherland (19)	262.84	-0.2	252.01	168.28	195.93	192.64	-0.3	3.39	263.26	251.55	169.59	196.51	193.17	263.99	207.60	210.08
New Zealand (14)	79.91	1.1	76.61	51.16	59.56	64.70	0.4	4.48	79.02	75.51	50.91	58.99	64.48	85.49	69.58	73.13
Norway (33)	225.34	-0.5	216.05	144.27	167.97	193.09	-0.7	2.17	226.57	216.49	145.95	169.12	194.48	243.79	195.71	195.71
Singapore (44)	375.93	0.6	360.44	240.69	280.23	244.74	0.7	1.66	373.55	356.94	240.64	278.84	243.13	414.26	313.94	372.16
South Africa (45)	372.19	0.9	356.85	238.29	277.43	297.70	1.0	3.97	368.69	352.29	237.51	275.21	294.84	376.66	281.06	326.97
Spain (38)	158.39	-0.4	151.86	101.40	118.06	146.38	-0.6	3.89	159.08	152.00	102.48	118.74	147.25	180.51	124.10	141.11
Sweden (47)	318.24	-0.9	305.13	203.75	237.23	306.73	-1.3	1.98	321.28	306.99	206.97	239.83	310.89	321.59	225.80	234.21
Switzerland (41)	228.63	-0.4	219.21	146.38	170.42	163.88	-0.4	1.82	229.45	219.24	147.81	171.27	164.54	230.31	158.38	159.98
Thailand (46)	153.64	-0.3	147.31	98.37	114.53	149.91	-0.4	2.72	154.09	147.24	99.26	115.02	150.47	184.55	130.15	157.15
United Kingdom (206)	226.91	-0.4	217.56	145.28	169.15	217.56	0.0	4.02	227.78	217.65	146.74	170.03	217.65	228.33	187.07	183.62
USA (503)	248.48	0.8	238.25	159.09	185.23	248.48	0.8	2.38	246.55	235.59	158.83	184.04	246.55	248.49	182.33	185.86
Americas (650)	226.39	0.8	217.06	144.94	168.75	190.23	0.8	2.38	224.66	214.67	144.72	167.70	188.76	226.39	170.66	173.67
Europe (737)	197.02	-0.3	188.90	126.14	146.86	167.08	-0.3	3.05	197.69	188.90	127.35	147.57	167.57	199.02	163.04	167.75
Nordic (138)	282.86	-0.2	271.20	181.09	210.84	236.70	-0.5	1.86	283.49	270.88	182.62	211.61	237.86	295.02	215.79	222.78
Pacific Basin (832)	157.31	1.3	150.82	100.71	117.26	104.40	0.8	1.26	155.23	148.33	100.00	115.87	103.61	171.87	145.99	160.66
Euro-Pacific (1569)	173.75	0.5	166.59	111.24	129.52	128.09	0.3	2.11	172.83	165.14	111.33	129.01	127.76	178.33	154.73	163.54
North America (604)	242.29	0.8	232.31	155.12	180.61	241.58	0.8	2.39	240.45	229.75	154.89	179.48	239.73	242.29	178.88	182.21
Europe Ex. UK (531)	176.62	-0.3	169.34	113.08	131.66	139.77	-0.4	2.50	177.19	169.31	114.14	132.26	140.40	179.46	148.45	150.19
Pacific Ex. Japan (349)	253.00	1.4	242.58	161.98	188.60	222.54	1.0	3.33	249.64	238.54	160.82	186.35	220.37	266.72	211.19	243.74
World Ex. US (1761)	174.75	0.5	167.55	111.88	130.26	131.78	0.3	2.15	173.81	166.08	111.97	129.74	131.41	178.73	155.42	165.36
World Ex. UK (2058)	194.53	0.8	186.51	124.54	145.00	160.28	0.5	2.05	193.08	184.49	124.38	144.12	159.42	194.53	163.46	168.97
World Ex. Japan (1781)	225.33	0.4	216.05	144.27	167.97	210.88	0.4	2.71	224.41	214.43	144.56	167.51	209.84	225.33	178.95	193.06
The World Index (2264)	197.37	0.6	189.23	126.36	147.12	165.29	0.5	2.24	196.11	187.39	126.33	146.39	164.50	197.37	165.92	171.14

CONSTITUENT CHANGE WITH EFFECT 1/12/95: Deletion: Shawmut National Corp. (USA). Latest prices were unavailable for this edition.

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